Governor Walz and Lieutenant Governor Flanagan's 2025 Budget

House Health Finance & Policy Committee
February 10, 2025

Our mission

In collaboration with community and partners, the Minnesota Department of Human Services supports people to thrive in community and live their healthiest and fullest lives.

Leading an impactful transformation

Budget: $26B
Employees : 7,285

Budget and employees split from DHS*

Budget: $23B
Employees: 2,378

Budget: $2.4B
Employees : 491

Budget: $0.7B
Employees : 5,054

**Data as of FY2024. Includes only budget and employees coming from DHS, does not include any budget or employees coming from DOE or other agencies. Only employees at DHS immediately prior to the split were included in DHS 2.0 and DCYF counts.*

The New DHS – DHS Administrations

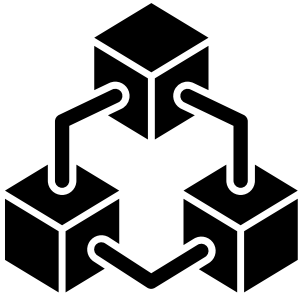
Aging & Disability Services

Behavioral Health

Health Care

Homelessness, Housing & Support Services

Office of Inspector General



Central Office

DHS continues to be a top state in health and human services

Minnesota is the fifth state nationally for overall health (America's Health Rankings, 2023)

Keeping over 1.3M people in Minnesota covered by public health insurance, including 42% of children.

"11th nationally in health care access, quality and outcomes"

(The Commonwealth Fund, 2023)

Providing quality services and supports for older adults and people with disabilities.

"1st nationally in services for older adults and people with disabilities"

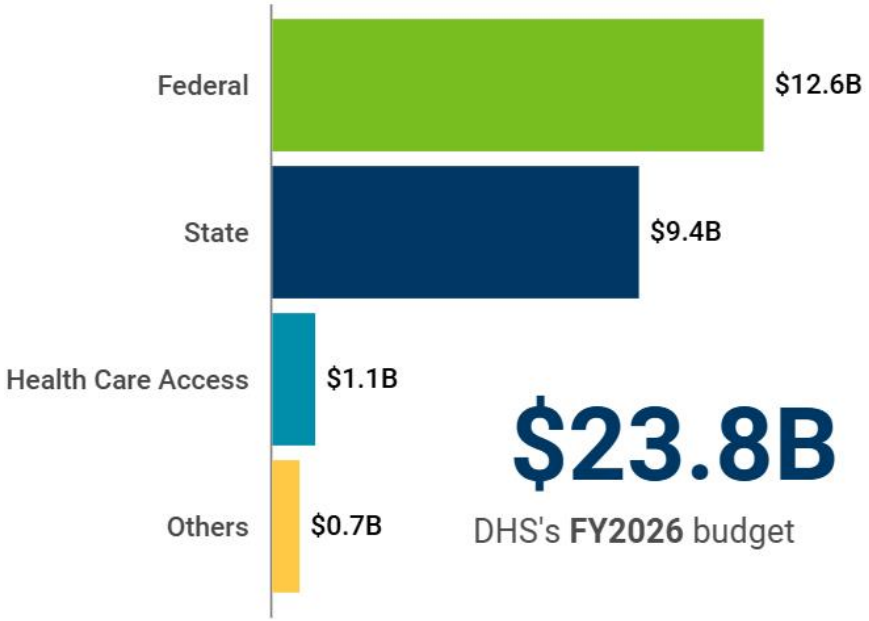
(AARP, The Commonwealth Fund and the SCAN Foundation, 2024)

Providing high quality supports for children mental health in the appropriate setting including schools.

"5th nationally in child well-being"

(Annie E. Casey Foundation, 2024)

DHS directly impacts more than 25% of people living in Minnesota



$23.8B

DHS's **FY2026** budget

DEPARTMENT OF HUMAN SERVICES

585,000+ children

45% of **children** in MN

990,000+ adults and parents

29% of **adults** in MN

170,000+ older adults

17% of **older adults** in MN

180,000+ people with disabilities

28% of **people with disabilities** in MN

Who we serve: Average Monthly People (FY24)

1.3 Million
Medicaid Enrollees

102,000
MinnesotaCare Enrollees

12,000
People receiving LTC in Nursing Facilities

89,000
People receiving LTC in their homes & communities

34,000
People receiving behavioral health services (BHF)*

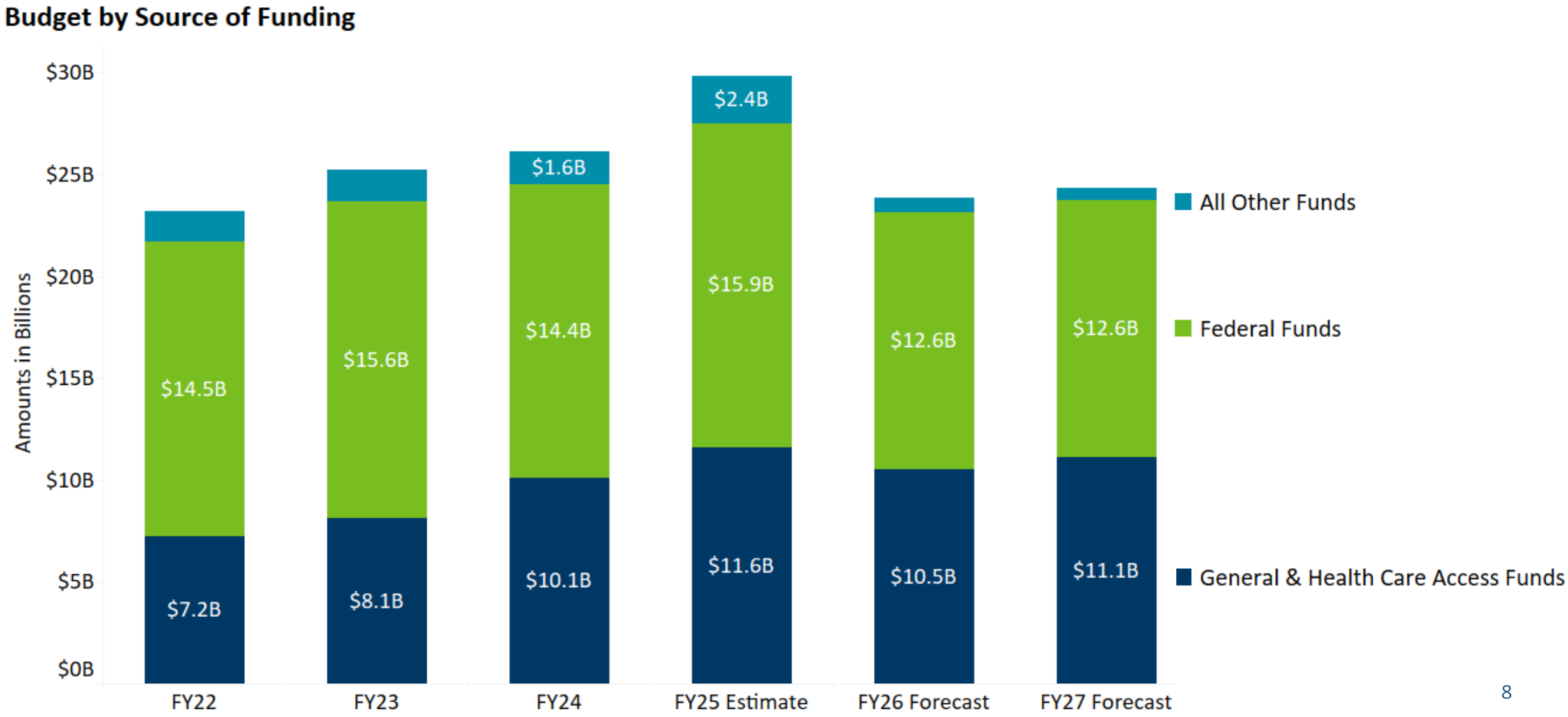
837,000
Families with Children enrollees in MA

23,000
People receiving General Assistance (GA)

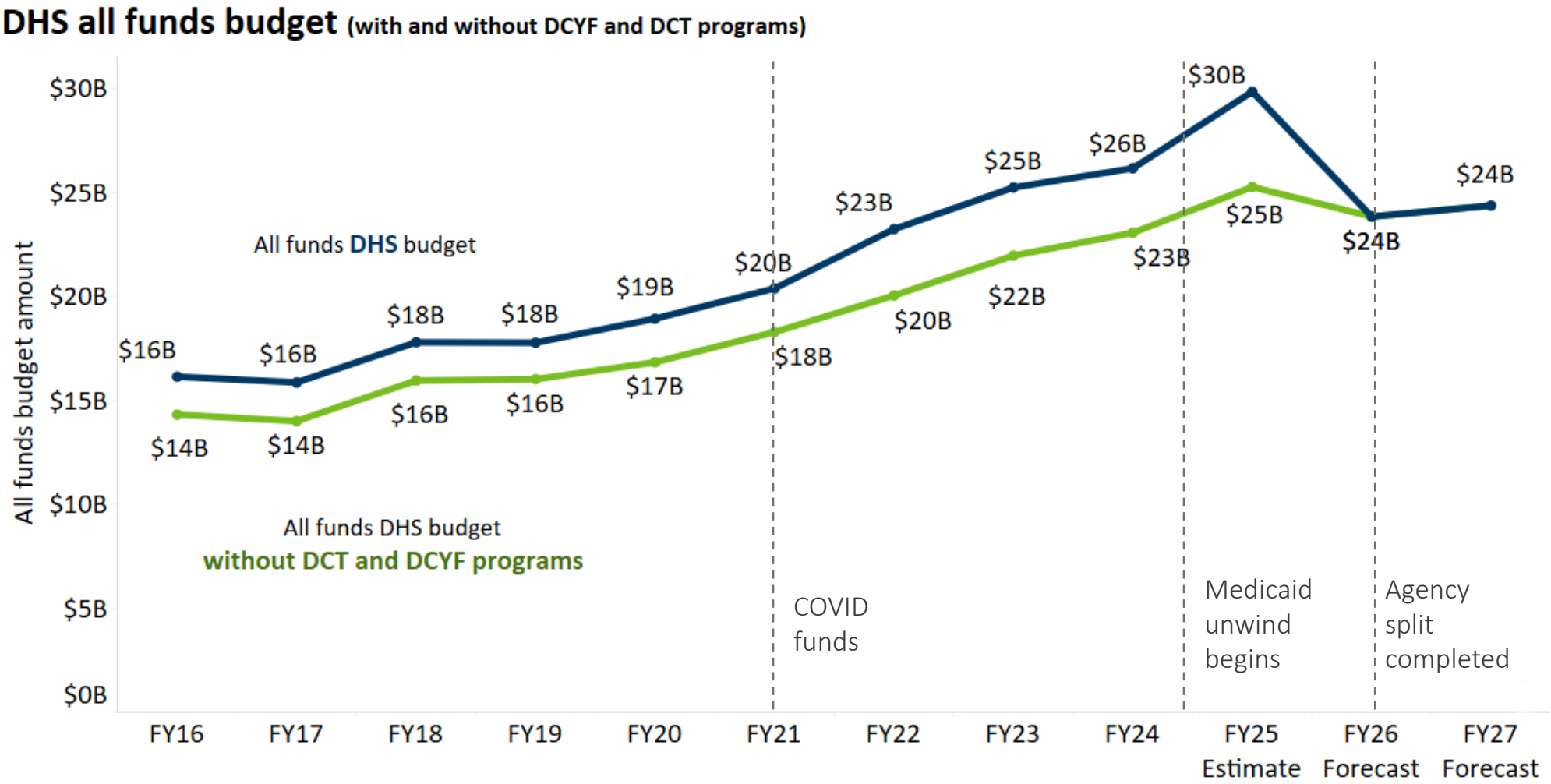
21,000
People receiving Housing Support

*Annual unduplicated recipients

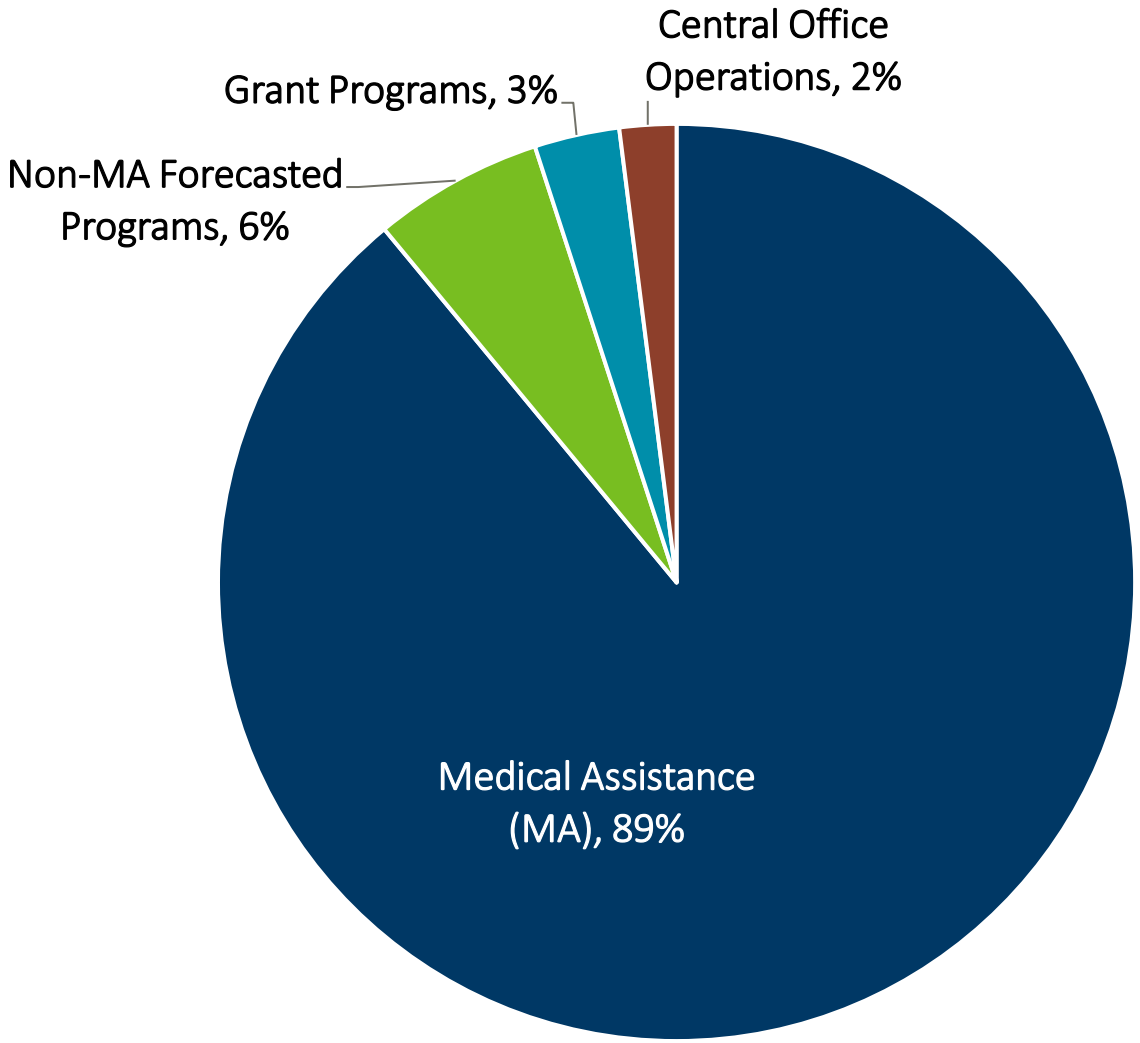
More than half of DHS' budget comes from federal sources



DHS Budget Over Time

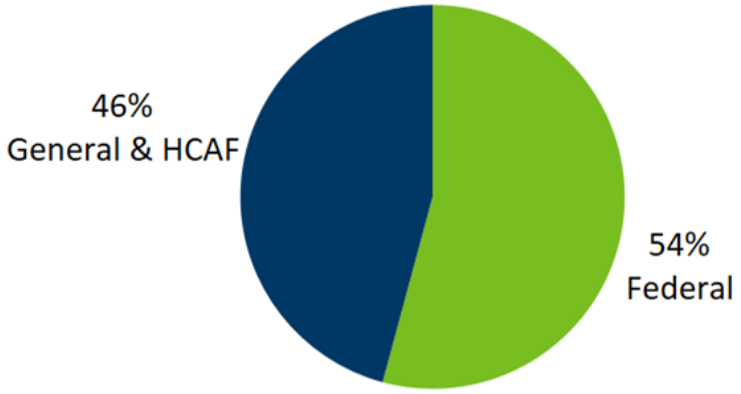


DHS FY 2026 expenditures all funds



Medical Assistance (MA) overview

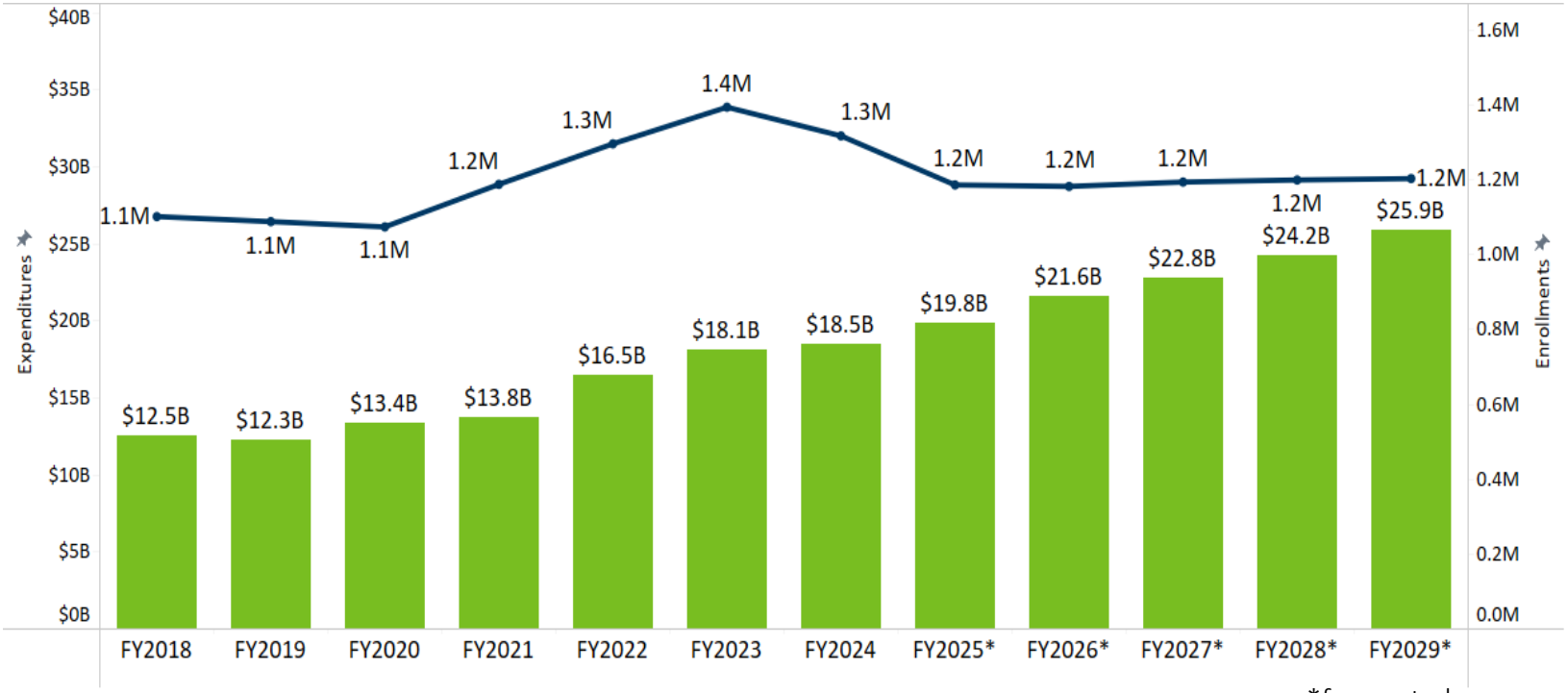
Medical Assistance Funds (FY2026)



42%

of **children** in the state have their health care covered by Medicaid

MA expenditures and enrollment Trend



*forecasted

1.3 Million

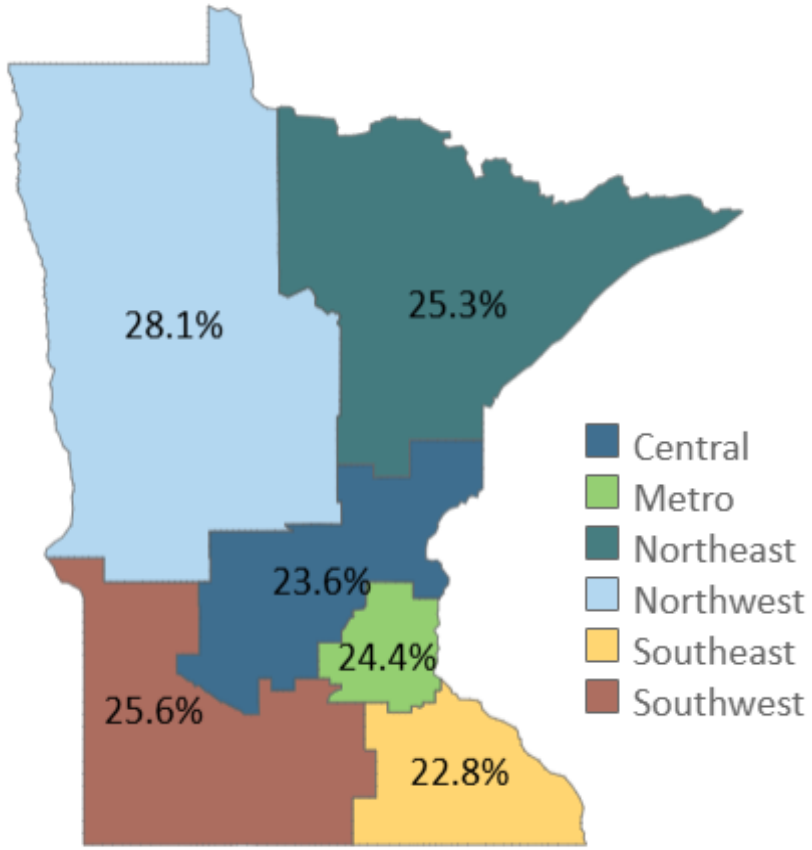
Minnesotans have access to health care (2024)

$18.9B

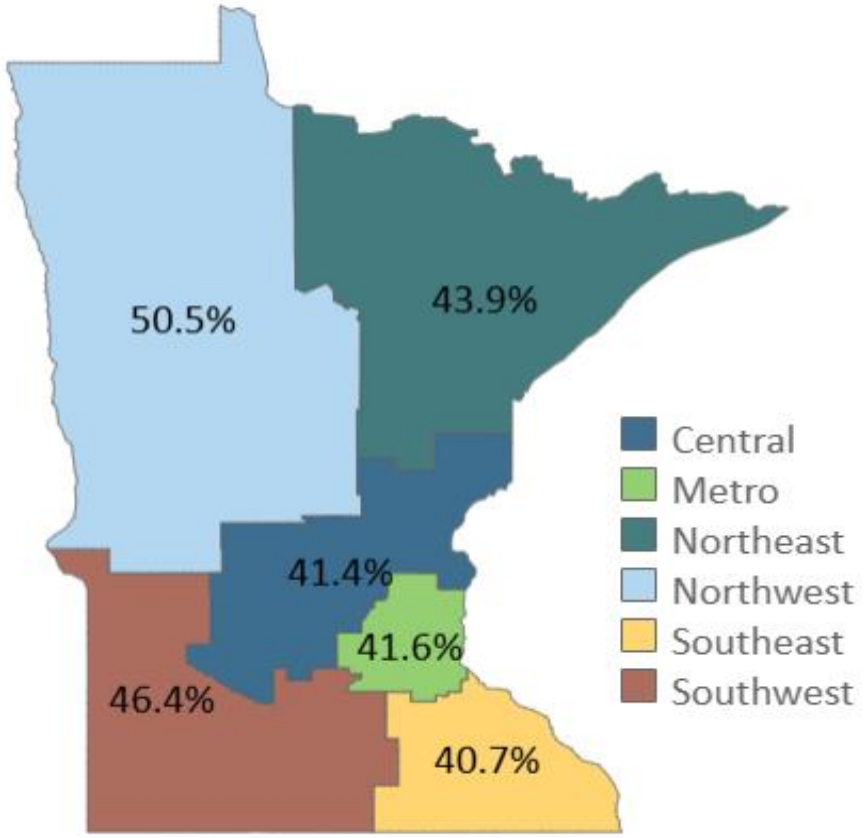
total MA expenditures (2024)

MA enrollment regional distribution

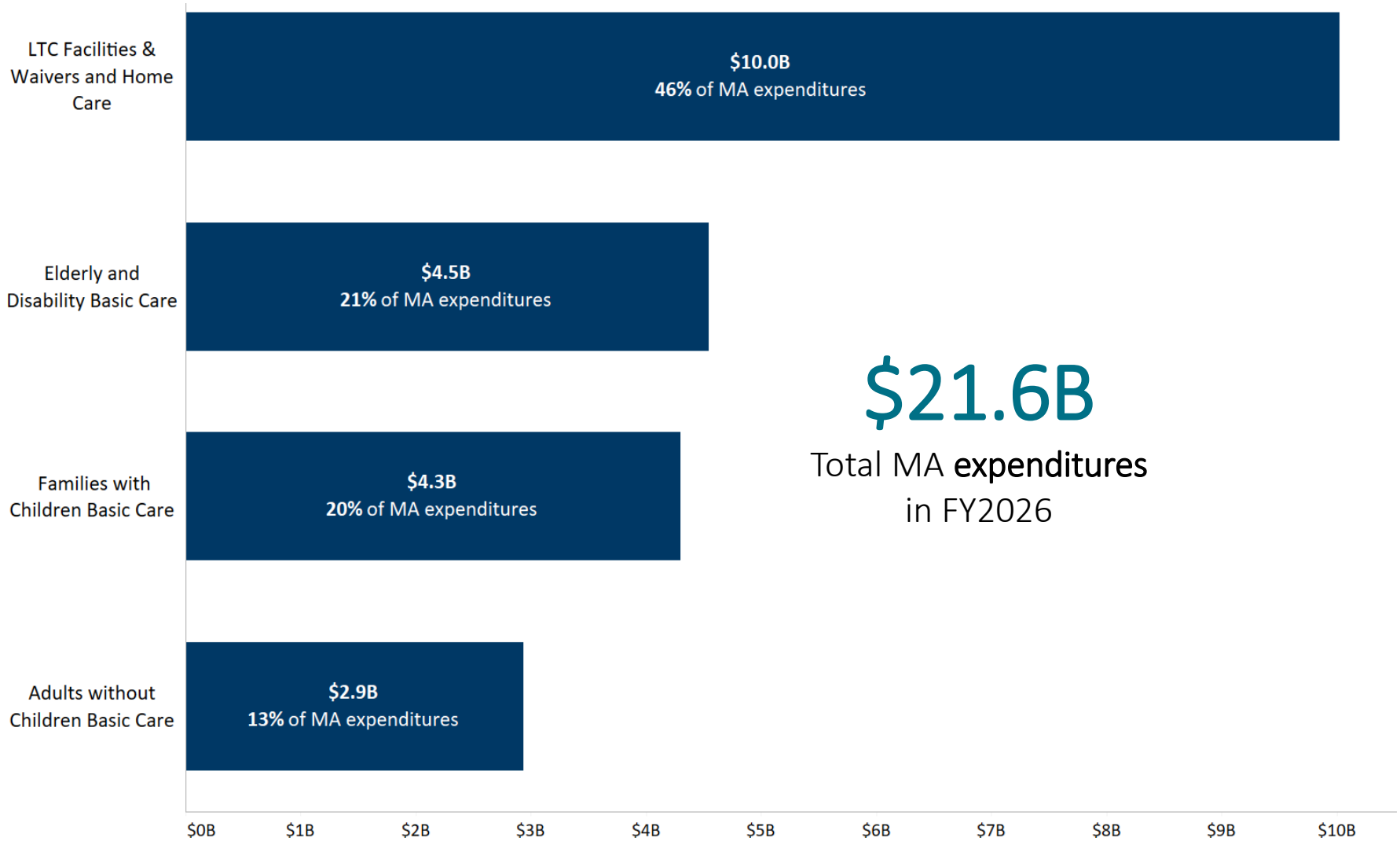
Percent of the **total population** within the region enrolled in MA (all ages)



Percent of **children** within the region enrolled in MA



MA total annual expenditures by category – FY 2026



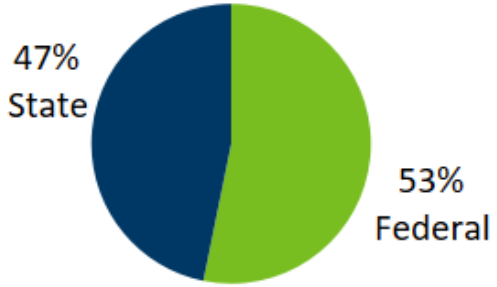
$21.6B

Total MA **expenditures** in FY2026

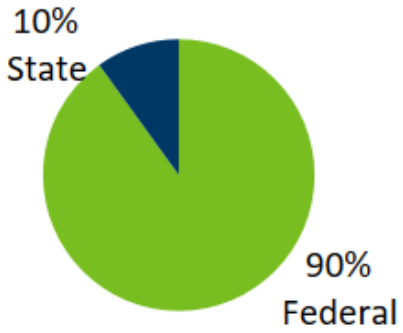
Medical Assistance expenditures by funding source

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

2025 HHS Governor's Budget

Strengthen program integrity of human services programs

Ensure access to needed services by mitigating fiscal cliffs

Curb increased growth in spending

Increase our operational effectiveness

Summary of DHS Proposals in House Health Jurisdiction

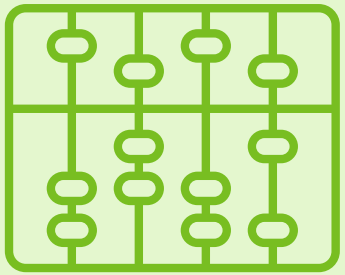
Fiscal Impact by Fund *(in thousands)*

	FY26/27	FY28/29	Total
General Fund	(249,004)	(428,173)	(677,177)
Health Care Access Fund	55,605	46,454	102,059
Grand Total	(193,399)	(381,719)	(575,118)

Summary of DHS Proposals in House Health Jurisdiction

	FY26/27	FY28/29	Total
Extend Access to Audio-only Telehealth	19,341	1,845	21,186
Eliminate the Sunset of the Drug Formulary Committee (DFC)	-	(38,034)	(38,034)
Pharmacy Carve-Out	(9,550)	(53,391)	(62,941)
MHCP Benefit Reductions - Eliminate Chiropractic Care	(7,519)	(11,949)	(19,468)
Uniform Administration of Non-Emergency Medical Transportation (NEMT)	(22,364)	(102,904)	(125,268)
Increase HMO Surcharge	(173,307)	(177,286)	(350,593)
Technical Updates to FQHC Rate Methodology	-	-	-
Increase the Health Care Access Fund Medical Assistance Share	-	-	-
Grand Total	(193,399)	(381,719)	(575,118)

Increase HMO Surcharge



Budget Book: Page 102

Fiscal Impact:
($173.3M) in FY26/27
($177.3M) in FY28/29

Increases the Health Maintenance Organization (HMO) surcharge from 0.6% of total premium revenue to 1.25% of total premium revenue.

These funds help fund healthcare initiatives and programs for low-income Minnesotans covered under Medical Assistance and MinnesotaCare.

Increasing the Health Care Access Fund Share of Medical Assistance

- Medical Assistance is financed primarily through federal and state funds. While medical assistance spending is forecasted, the health care access fund's share is set by the legislature, leaving the remaining state share to be paid by the general fund.
- This proposal increases the Health Care Access Fund appropriation for Medical Assistance by $25 million in fiscal year 2026 and each year thereafter.
- This results in a corresponding decrease in general fund appropriations for Medical Assistance.

Budget Book: Page 156

Fiscal Impact:
($50M) in GF Per Biennium
$50M in HCAF Per Biennium
(Net Neutral)

Extend Access to Audio-only Telehealth

Budget Book: Page 24

Fiscal Impact:
$19.3M in FY26/27
$1.8M in FY28/29

Extends the authority for the use of audio-only telehealth in Minnesota Health Care Programs through FY2027.

- Ensures continued access to critical health care services established during COVID-19, including: Mental health support, health care services in rural and underserved areas.
- Prevents service disruptions after the current access sunsets on July 1, 2025.
- Addresses access barriers for rural and underserved populations, particularly for mental health and follow-up care.

Eliminate the Sunset of the Drug Formulary Committee

Eliminates the sunset of the Drug Formulary Committee (DFC) to ensure future Preferred Drug List. Under current law, the DFC sunsets on June 30, 2027.

- The DFC is a committee of licensed and actively practicing health care providers who volunteer to evaluate the safe and effective use of prescription drugs in Minnesota's public health care programs (Medicaid and MinnesotaCare).
- Management of the Preferred Drug List (PDL) is the primary responsibility of the DFC.
- DFC expiration will result in the loss of supplemental rebates due to the inability of DHS to manage the PDL.
- It will also result in a loss of the public's ability to participate in the management of the pharmacy benefit.

Budget Book: Page 92

Fiscal Impact:
$0 in FY26/27
($38M) in FY28/29

Pharmacy Carve-Out

Budget Book: Page 95

Fiscal Impact:
($9.6M) in FY26/27
($53.4M) in FY28/29

Carves out the outpatient pharmacy benefit from capitation rates paid to managed care plans in Minnesota Health Care Programs.

Centralizes management of the outpatient pharmacy benefit for the Medical Assistance (MA) program within DHS, regardless of whether the enrollee is served by a managed care plan or via fee-for-service.

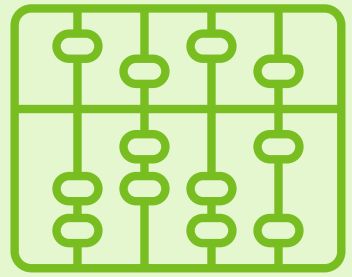
Savings occurs as a result of:

- Administrative costs reduced by shifting outpatient pharmacy benefits from managed care payments to DHS administrative costs.
- Once the pharmacy benefit is carved-out of managed care, additional savings would be realized through pharmacy rebates on current 340B Drug Pricing Program claims.

MHCP Benefit Reductions - Eliminate Chiropractic Care

Eliminates the chiropractic benefit in Minnesota Health Care Programs for enrollees age 21 years or older.

- Enrollees under the age of 21 years would not be impacted, as medically necessary chiropractic services will still be covered, on a case-by-case basis, under federal Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) requirements.
- This change assumes an effective date of January 2026 for both fee-for-service (FFS) and managed care enrollees.



Budget Book: Page 104

Fiscal Impact:
($7.5M) in FY26/27
($11.9M) in FY28/29

Uniform Administration of Non-Emergency Medical Transportation

Budget Book: Page 99

Fiscal Impact:
($22.4M) in FY26/27
($102.9M) in FY28/29

Transitions to a uniform non-emergency medical transportation (NEMT) program. Simplifies and standardizes NEMT services for all enrollees:

- Single administrator model with a per-member-per-month fee.
- Vendor contracts with drivers, negotiates rates, and coordinates services.
- Improves oversight, reduces costs, and ensures a consistent user experience.

Technical Updates to FQHC Rate Methodology

Clarifies statute governing rates, when two Federally Qualified Health Centers (FQHC) merge or if one FQHC acquires another existing FQHC.

Upon merging of two entities, a new encounter rate would be calculated using the aggregate cost and visits experience from both entities and calculated using the methodology in statute today.

Budget Book: Page 85

Fiscal Impact:
Budget Neutral

Resources

- FY 2026-2027 Governor's Budget – Dept. of Human Services
- Department of Human Services November 2024 Forecast
- DHS Fiscal Reports & Forecasts
- DHS Legislative Information