Minnesota 2025 legislative session

1. The session started with a projected budget deficit for the FY2027-28 biennium of $6 billion. The majority of their time was spent formulating legislation to reduce that deficit that would pass an evenly split governing body (101 dems, 100 GOP). With the final bills passed during the special session, the budget shortfall was reduced to $2.1B.
   Significantly, there are **No cuts to Hospitals.**
2. The most significant legislation that passed regarding hospitals is the **Directed Payment Program (DPP).**
   - A Medicaid Directed Payment Program (DPP) is a federally approved tool that allows states to secure additional Medicaid funding for hospitals—without requiring new state spending.
   - By implementing a statewide DPP, Minnesota can capture more than $1 billion in additional federal Medicaid funding, helping hospitals remain financially stable, protecting patient access to care, and reducing the hidden tax on businesses and families—all without increasing costs to patients.
   - For Medicaid patients, the hospital now receives 68 cents per dollar invoiced - 51% Federal share, 17 % State share.
   - No increase in the State budget. Under the state's DPP, Minnesota hospitals would contribute the state's share of the enhanced funding through an increased provider tax. The federal government then matches at a 62% rate— dramatically increasing total hospital payments. The enhanced payment system would increase the amount hospitals receive in payment for Medicaid services to over 80 cents on the dollar. 62% Federal share, 17% state share, plus the hospital assessment.
   - A statewide DPP would allow Minnesota to capture more than $1 billion in additional federal Medicaid funding to support Minnesota's non-profit hospitals.
   - Increases Cook hospital Medicaid payments through the increased provider tax but would gain financially because of the

higher payouts. The Bill caps the provider tax at 5.75% This is slightly less than the 6% which the feds allow (to limit how much the feds match. This reduces potential revenue increases the Bill would provide by $75 million.

- The States Directed Payment Plan has to be approved by CMS, Centers for Medicare and Medicaid Services, Before HR 1 passes.
  to become an active program. Otherwise, the HR 1 provider tax moratorium will take away the opportunity by eliminating the federal match for any new or increased provider taxes.

3. Facility Fee Prohibition

- The House and Senate had 2 different versions of this legislation which did not include Critical Access Hospitals. The final version which was hammered out during special session was to direct hospitals to produce a one report on the Facility Fees they charge over a years' time and submit it to DHS. It is not clear to me if Critical Access Hospitals need to complete this report.

4. Increase support for Mental Health

- $16 million which leverages a federal match, to continued support of audio only telehealth.
- Continued 10 Placements/year for the next 2 years at Anoka DCT for civilly committed Patients.

5. EMS

- Provided another $18 million to rural ambulance services in support of keeping them financially viable.
- Also provided $6.8 million for payment to ambulance services for unpaid runs.

6. **The MN Nursing Association promoted Nurse Staffing bill**

- Did not make it to the final bill.

Federal Legislation – HR 1 ***The Big Beautiful Bill*** Otherwise known as the Reconciliation Bill.

This Bill was passed by the house with a goal to reduce the federal budget by $3 trillion dollars from the federal budget and codifying changes to U.S. Government operations and policies to radically reform U.S. agencies.

- $8.8 billion dollars of the reductions come from the Medicaid program.

This bill basically strikes down provisions made in the Affordable Care Act which enhanced coverage to lower income people, mostly through the Medicaid program, in order to get health insurance benefits to more of this segment of our population (It worked. More than 13 million of our population were able to have access to health care.) The provisions in the bill outline changes to the Medicaid program which *"reduce fraud"* by implementing onerous reporting and enforcement, *"prevent wasteful spending"* by eliminating reproductive health programs and eliminating gender affirming care, *"stopping abusive financing practices"* by squeezing down federal match dollars to states which participate in enhanced Medicaid and by *"increasing personal accountability"* by requiring Medicaid participants to work.

HR 1 is now being debated in the Senate. Their goal is to pass their version by July 4.

By all accounts, The Senate majority is most likely to increase the budget reduction over what the House had passed. This includes provisions already introduced which would increase the reduction to Medicaid to over $1 trillion by reducing over time the percentage of provider tax a state could charge its hospitals to 3.5%.