

September 2025

Residential Facilities for Adults with Mental Illness: Implementation plan for 2025 legislative changes

New laws passed by the 2025 Legislature include several provisions that impact DHS-licensed Residential Facilities for Adults with Mental Illness. This document outlines an overview of each change, instructions for what programs need to do about the change, and the date the change is effective.

The hyperlinks within this document direct license holders to where the new laws can be found. When reviewing the new laws:

- Text that is stricken with a line through it reflects words that are being removed from the law.
- Text that is underlined reflects words that are being added to the law.
- Text that is unchanged reflects what the law was before and continues to be the law.

Note that Minnesota Statutes 2024 will be updated with the changes from 2025 in the fall of 2025.

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Effective August 1, 2025

Anti-kickback

The session law updates anti-kickback statutes to state that offering, giving, soliciting, or receiving anything of value to influence referrals or services could result in administrative sanctions, such as withholding payments or recovering overpayments. Providing services contingent on billing Medicaid may constitute a kickback. The session law also adds kickbacks to the MN criminal code.

Laws of MN, [chapter 38, article 5, sections 27, 28, and 32](#). Amends [Minnesota Statutes 2024, section 256.98, subdivision 1](#), [Minnesota Statutes 2024, section 256B.064, subdivision 1a](#) and adds new section 609.542.

What programs need to do

Evaluate your program's services and any incentives associated with providing services to clients to determine if they may constitute a kickback. If needed, update policies and procedures and provide education and staff trainings on kickbacks and any programmatic changes.

Program-specific questions about kickbacks should be directed to your legal counsel. DHS is not able to provide legal advice.

Training on the program's drug and alcohol policy

Beginning August 1, 2025, license holders must provide training to employees, subcontractors, and volunteers on the program's drug and alcohol policy *before the employee, subcontractor, or volunteer has direct contact with a person served by the program*. The drug and alcohol training is an existing training requirement, an addition to statute was made to clarify the timing of the training. Section 245C.02 subdivision 11 provides a definition of direct contact.

Laws of MN, [chapter 38, article 5, section 5](#). Amends [Minnesota Statutes 2024, section 245A.04, subdivision 1](#).

What programs need to do

Programs must update policies, procedures, and staff training documentation to meet the new requirements. Ensure that the training is completed before direct contact with a person served by the program. Maintain documentation of all training transcripts in staff personnel files.

What programs need to do

Update policies and procedures regarding direct observations and progress note approvals and train staff.

Client grievances

Clarifies that clients may voice grievances and recommend policy and service changes, free from restraint, interference, coercion, discrimination, or reprisal, including threat of discharge in the client rights and protections section of 245I.

[*Laws of MN, chapter 38, article 4, section 27*](#). Amends [Minnesota Statutes 2024, section 245I.12, subdivision 5](#)

What programs need to do

Update grievance policy and procedures and train staff.

Effective January 1, 2026

License application and renewal fees

Effective January 1, 2026, license application fees for programs licensed to serve persons with mental illness under Minnesota Rules, parts [9520.0500](#) to [9520.0670](#) will increase to \$2,100. License renewal fees will also increase, based on licensed capacity.

[*Laws of MN, 1st special session, chapter 9, article 10, sections 2, 6 and 8*](#). Amends [Minnesota Statutes 2024, section 245A.10, subdivisions 3 and 4](#).

The legislature increased renewal fees for most licensed programs, including programs licensed under Minnesota Rules, parts [9520.0500](#) to [9520.0670](#). In the fall, DHS will issue invoices for the next year's license renewal fees. The license holder will be charged the new fee based on the program's capacity according to Minnesota Statutes, section 245A.10 subdivision 4. The license holder must pay the renewal fee before the upcoming calendar year to receive a license for that year. The chart below outlines the changes in the licensing fees:

Licensed Capacity	Current	January 2026
1 to 24 persons	\$2,525	\$2,600
25 to 49 persons	\$2,725	\$3,000
50 or more persons	-	\$20,000

What programs need to do

No action needed at this time. Invoices for the 2026 calendar year will be sent out towards the end of September 2025.

Change of ownership

Whenever there is any change to ownership, including a change of ownership that qualifies for the exception under section 245A.043, subdivision 2, paragraph (b), the license holder must notify DHS of the change and the date it takes effect. License holders will be charged a fee of \$2,100 for each license subject to the change of ownership, including the exception under section 245A.043, subdivision 2, paragraph (b).

Laws of MN, 2025, 1st special session, chapter 9, article 10, sections 3 and 7. Amends [Minnesota Statutes 2024, section 245A.043](#) and [Minnesota Statutes 2024, section 245A.10](#).

What programs need to do

License holders must notify DHS by contacting their licensor when they sell 100% of their program assets.

If 100% of the assets are being sold and all of the controlling individuals will change, the new license holder(s) must complete a new license application and submit an application fee. Starting January 1, 2026, the application fee for a 245G license is \$2,100.

Starting January 1, 2026, a fee of \$2,100 must be submitted if 100% of the assets are being sold but at least one controlling individual who has been affiliated with the license for at least 12 months prior is remaining on the license. A new license application does not need to be completed, but the change will need to be communicated to DHS through a change in information form. The process for submitting the fee and change form will be provided to the license holder after the notification to their licensor of the change.

Additional information

Temporary immediate suspension

This change allows DHS to issue a temporary immediate suspension if the license holder or controlling individual is the subject of a pending administrative, civil, or criminal investigation or subject to an administrative or civil action related to fraud against a program administered by a state or federal agency.

Laws of Minnesota 2025, 1st Spec. Sess., chapter 3, article 17, section 6. Amends [Minnesota Statutes 2024, section 245A.07, subdivision 2](#)

Effective date: July 1, 2025

Denial of Application

This change allows DHS to deny a license application if an applicant or controlling individual is the subject of a pending administrative, civil, or criminal investigation.

[Laws of Minnesota 2025, 1st Spec. Sess., chapter 3, article 17, section 5.](#) Amends [Minnesota Statutes 2024, section 245A.05](#)

Effective date: July 1, 2025

Terminology change

Changes the terms “mental health practitioner” and “mental health practitioners” to “behavioral health practitioner” and “behavioral health practitioner” throughout Minnesota Statutes 245I.

Laws of MN, [1st special session, chapter 9, article 4, section 56](#)

Effective date: July 1, 2025

Compliance education

Starting in 2027, DHS will make licensing compliance education available to all license holders. The education materials will include clear explanations about how to comply with licensing requirements.

[Laws of Minnesota 2025, 1st Spec. Sess., chapter 9, article 2, section 2.](#) Amends [Minnesota Statutes 2024, section 245A.042](#) with new subdivision 5.

Effective date: January 1, 2027

Background studies

Updates on legislative changes related to background studies, as they become available, will be posted on the ["What's new" for background studies webpage](#).