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DEPARTMENT OF HUMAN SERVICES

February 2025 Forecast

Executive Summary and Trend Data

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Executive summary

The Minnesota Department of Human Services (DHS) prepares a forecast of its expenditures in major programs twice annually. Forecasted programs include Medical Assistance (MA), MinnesotaCare, the Behavioral Health Fund and others as described in the pages that follow. Projected expenditures are used in statewide budget forecasts that Minnesota Management and Budget releases in November and February each year. These forecasts are used to update fund balances and provide financial information to the Governor and the legislature as they work together to set budgets.

All February 2025 forecast highlights in this document represent changes from the November 2024 forecast.

February 2025 forecast highlights

General Fund (GF)

Changes from the November 2024 forecast

- Increase of $289.9 million in 2024-2025 biennium (+1.9%)
- Increase of $355.3 million in 2026-2027 biennium (+1.9%)
- Increase of $354.7 million in 2028-2029 biennium (+1.6%)
- Overall increase of $999.9 million across the entire forecast horizon

Health Care Access Fund (HCAF)

Changes from the November 2024 forecast

- Increase of $0.5 million in 2024-2025 biennium (+0.0%)
- Increase of $68.4 million in 2026-2027 biennium (+3.3%)
- Increase of $77.0 million in 2028-2029 biennium (+3.9%)
- Overall increase of $145.9 million across the entire forecast horizon

Who it serves

- Over 1.4 million people a year are served through DHS forecasted programs

How much it costs

- $19.7 billion total spending in DHS forecasted programs
- $7.9 billion state spending in DHS forecasted programs

Data for FY 2024

Reasons: The February forecast produces a $1 billion General Fund increase across the forecast horizon. These forecast costs are primarily the result of increases in MA Long Term Care (LTC) waiver average payments, increases in MA Basic Care fee-for-service (FFS) average payments, increases in MA managed care capitation payments, and reduced federal funding in the Behavioral Health Fund.

The February forecast includes projected increases in the MA LTC disability waivers. Increases in average payments across all of the disability waivers are due to a combination of technical changes and data experience. The primary technical change is due to updated estimates of the impact of Disability Waiver Rate System (DWRS) inflation adjustments set to occur January 1, 2026, and January 1, 2028. These updated estimates result in average payments about 1% higher than previously projected. In addition, average payment data from early FY2025 is trending about 1.5% higher than previously forecast. Recent data also show higher recipient growth than previously projected, concentrated in children and youth in the Developmental Disability (DD) waiver. The base DD recipient forecast is increased about 1% to accommodate this growth. Together, these changes result in state forecast increases of $35 million in the 2024-2025 biennium, $160 million in the 2026-2027 biennium, and $141 million in the 2028-2029 biennium.

In MA Basic Care, average FFS payments were higher than expected in November and December leading to a forecast base increase impacting the current biennium and both projected biennia. It is assumed that this higher-than-expected FFS average payment experience is part of a transition from declining average payments under the pandemic to a new post-pandemic level. Higher projected FFS average payments result in state forecast increases of $65 million in the 2024-2025 biennium, $75 million in the 2026-2027 biennium, and $98 million in the 2028-2029 biennium.

The February forecast also includes increases in managed care capitation rates. This results from adjustments to 2024 capitation rates and a 2025 managed care contract amendment. Capitation rates for 2024 were amended primarily for an acuity adjustment coming out of the pandemic. Updated enrollment following the unwinding resulted in increased acuity in the MA population relative to the projections used to set 2024 contract rates. Also, the 2025 managed care contracts were recently amended to account for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs. Overall, higher projected managed care capitation rates result in state forecast increases of $42 million in the 2024-2025 biennium, $79 million in the 2026-2027 biennium, and $88 million in the 2028-2029 biennium.

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Finally, the February forecast includes General Fund increases in the Behavioral Health Fund due to the loss of federal funding. It was recently discovered that seven tribal SUD providers meet the definition of an Institute for Treatment of Mental Diseases (IMD) but were not coded in the claims system as an IMD. As a result, the system has been claiming historical federal share for these providers when, in fact, they were not eligible for federal match as an IMD. This, in turn, results in two forecast adjustments. The first is to pay back the federal share on all historical SUD claims from these providers. It is estimated that this will cost $113 million to be paid in the 2024-2025 biennium. The second forecast adjustment is to remove the projected federal share on future claims from these providers. This is projected to cost $12 million in the 2024-2025 biennium and $19 million in the 2026-2027 biennium. There is no cost beyond the 2026-2027 biennium since it is assumed that these seven tribal SUD providers will be transitioned into the state's federal SUD waiver which allows federal funding for IMDs.

Increased HCAF expenditures in the February forecast are primarily the result of two adjustments. The first is the cost of the 2025 managed care contract amendment for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs in MinnesotaCare. The second is higher-than-expected MinnesotaCare enrollment resulting in a base increase that also impacts all 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.

Summary of forecast changes

The following is a list of the large and/or noteworthy changes in this forecast. Further detail for each change can be found on the specific budget activity pages noted below.

Forecast Increases:

- Higher LTC disability waiver average payments (Medical Assistance Waivers and Home Care)
- Higher FFS basic care average payments (Medical Assistance Basic Care: All Populations)
- Higher managed care capitation payments (Medical Assistance Basic Care: All Populations)
- Loss of federal funding for seven tribal SUD providers (Behavioral Health Fund)

FY 2026 and FY 2027 Forecasted Expenditures

	FY 2026		FY 2027	
Program	**Total Dollars**	**State Share**	**Total Dollars**	**State Share**
Medical Assistance (MA)	21,979,760,165	9,283,091,677	23,178,431,657	9,828,874,426
LTC Facilities	1,406,242,019	649,263,650	1,479,074,134	684,497,864
LTC Waivers	8,779,390,148	4,220,303,742	9,405,985,685	4,505,461,772
Elderly and Disabled Basic Care[1]	4,580,999,074	2,216,182,192	4,818,753,069	2,342,895,008
Adults without Children Basic Care	3,009,360,142	301,915,964	3,111,991,044	311,340,326
Families with Children Basic Care[2]	4,203,768,782	1,895,426,128	4,362,627,724	1,984,679,455
MinnesotaCare	714,869,562	103,488,631	755,384,773	169,546,811
Behavioral Health Fund	284,814,200	138,096,762	284,476,877	123,563,904
General Assistance	84,137,292	84,137,292	86,462,341	86,462,341
Housing Support	271,258,850	269,258,850	281,703,192	279,703,192
Minnesota Supplemental Aid	67,113,286	67,113,286	69,089,259	69,089,259
Total	23,401,953,355	9,945,186,499	24,655,548,099	10,557,239,933

1 Includes Elderly Waiver managed care

2 Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

Medical Assistance

Medical Assistance (MA), Minnesota's Medicaid program, provides preventive and primary health care coverage for low-income Minnesotans. MA has lower income eligibility guidelines and has no premiums, which differentiates it from the state's other health care program, MinnesotaCare. Additionally, MA can pay for nursing facility care for older adults and intermediate care facilities for people with developmental disabilities. It can also cover long-term care services and supports for people with disabilities and older adults so that they can continue living in the community.

Minnesota receives federal matching funds for MA. By accepting matching funds, states are subject to federal Medicaid regulations. States have some flexibility in determining what services are covered, what groups are covered and payment rates to providers. The Minnesota Department of Human Services partners with all 87 Minnesota counties to administer the MA program and contracts with health plans and health care providers across the state to deliver basic health care to MA enrollees.

Medical Assistance is forecasted in five segments: Long-Term Care Facilities, Long-Term Care Waivers, Elderly and Disabled Basic Care, Adults without Children Basic Care and Families with Children Basic Care. Each of these segments is discussed in the following pages.

Who it serves

- 1.3 million average monthly enrollees

How much it costs

- $18.5 billion total spending
- $7.4 billion state funds

Data for FY 2024

February 2025 forecast highlights

General Fund

Changes from the November 2024 forecast

- Increase of $160.3 million in 2024-2025 biennium (+1.0%)
- Increase of $322.8 million in 2026-2027 biennium (+1.7%)
- Increase of $342.1 million in 2028-2029 biennium (+1.5%)

Health Care Access Fund

Changes from the November 2024 forecast

- No change in 2024-2025 biennium (+0.0%)
- No change in 2026-2027 biennium (+0.0%)
- No change in 2028-2029 biennium (+0.0%)

Reasons: The February forecast for Medical Assistance (MA) produces a $160 million General Fund increase in the current biennium, a $323 million increase in the 2026-2027 biennium, and a $342 million increase in the 2028-2029 biennium. These increases are primarily the result of higher LTC waiver average payments, higher basic care FFS average payments, and higher managed care capitation rates.

Increases in average payments across all of the LTC disability waivers are due to a combination of technical changes and data experience. The primary technical change is due to updated estimates of the impact of Disability Waiver Rate System (DWRS) inflation adjustments set to occur January 1, 2026, and January 1, 2028. These updated estimates result in average payments about 1% higher than previously projected. In addition, the average payment data from early FY2025 is trending about 1.5% higher than previously forecast. Recent data also show higher recipient growth than previously projected, concentrated in children and youth in the Developmental Disability (DD) waiver. The base DD recipient forecast is increased about 1% to accommodate this growth. Together, these changes result in state forecast increases of $35 million in the 2024-2025 biennium, $160 million in the 2026-2027 biennium, and $141 million in the 2028-2029 biennium.

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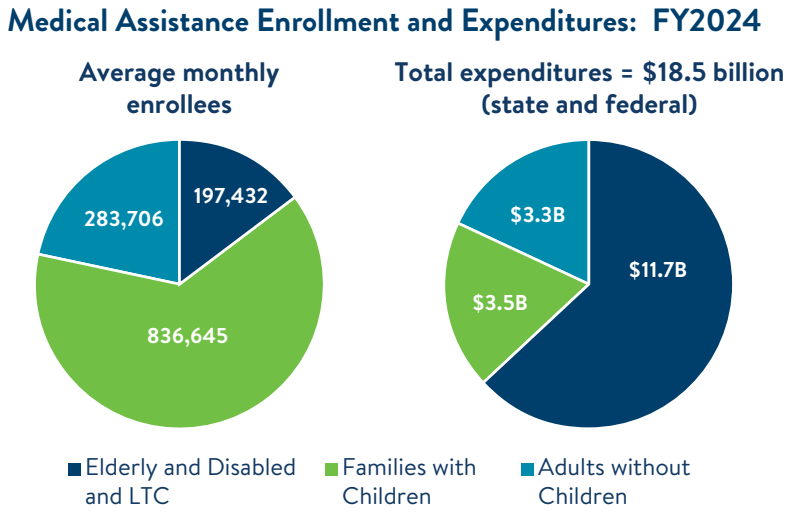
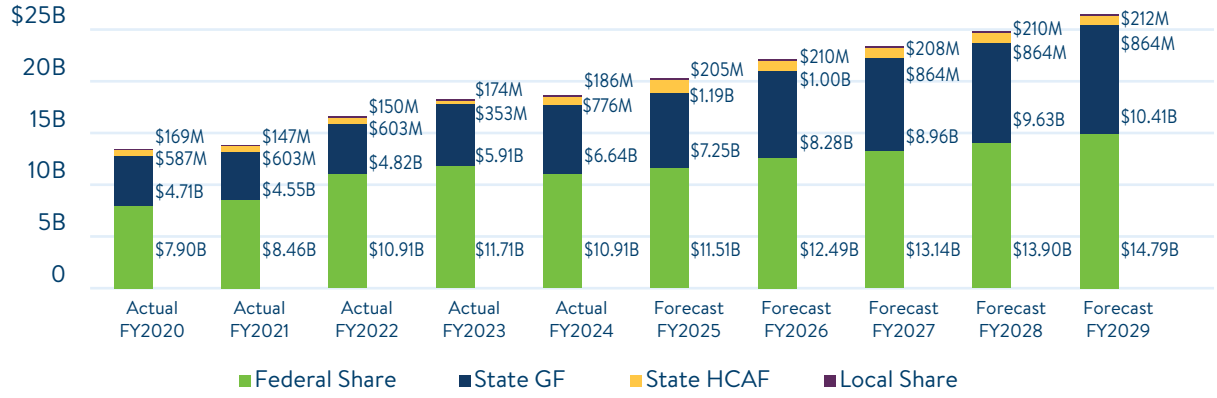
In MA Basic Care, average FFS payments were higher than expected in November and December leading to a forecast base increase impacting the current biennium and both projected biennia. It is assumed that this higher-than-expected FFS average payment experience is part of a transition from declining average payments under the pandemic to a new post-pandemic level. Higher projected FFS average payments result in state forecast increases of $65 million in the 2024-2025 biennium, $75 million in the 2026-2027 biennium, and $98 million in the 2028-2029 biennium.

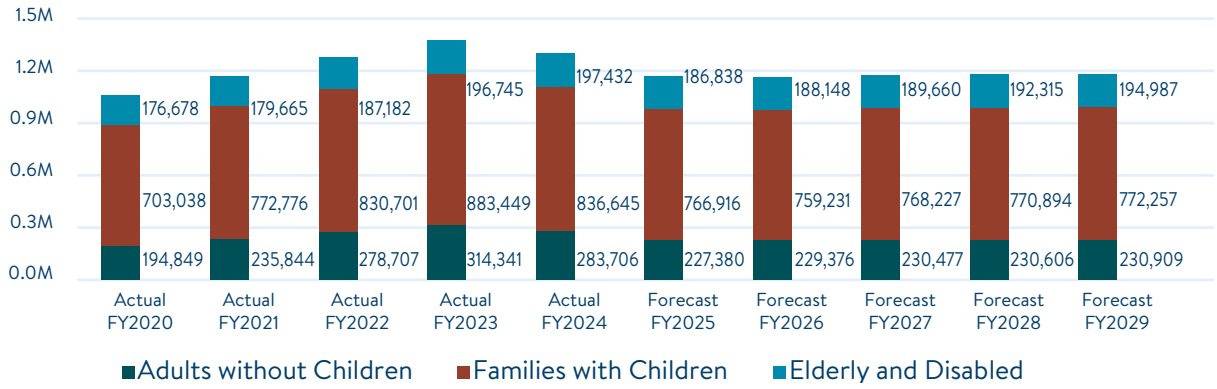
The February forecast also includes increases in managed care capitation rates. This results from adjustments to 2024 capitation rates and a 2025 managed care contract amendment. Capitation rates for 2024 were amended primarily for an acuity adjustment coming out of the pandemic. Updated enrollment following the unwinding resulted in increased acuity in the MA population relative to the projections used to set 2024 contract rates. Also, the 2025 managed care contracts were recently amended to account for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs. Overall, higher projected managed care capitation rates result in state forecast increases of $42 million in the 2024-2025 biennium, $79 million in the 2026-2027 biennium, and $88 million in the 2028-2029 biennium.



Total MA expenditures by fund



MA enrollment by eligibility category



Historical table

	Medical Assistance Program: Total Expenditures (All Funds)	
FY	Total $	% Change
2013	8,045,603,494	
2014	9,265,114,945	15.16%
2015	10,584,482,423	14.24%
2016	11,225,138,725	6.05%
2017	10,888,457,636	(3.00%)
2018	12,548,730,142	15.25%
2019	12,280,202,154	(2.14%)
2020	13,368,736,347	8.86%
2021	13,763,155,601	2.95%
2022	16,487,895,092	19.80%
2023	18,143,231,782	10.04%
2024	18,513,016,315	2.04%
2025*	20,151,806,069	8.85%
2026*	21,979,760,165	9.07%
2027*	23,178,431,657	5.45%
2028*	24,608,106,398	6.17%
2029*	26,275,664,113	6.78%
Avg. Annual Increase 2013-2024		7.87%

**Projected*

From FY 2013 through FY 2022 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Long-Term Care:

Facilities

Medical Assistance pays for long-term care services for people who live in facilities that provide 24-hour care and supervision. Nursing facilities across Minnesota provide all-inclusive packages of services including nursing care, help with activities of daily living, medication administration, meals and housing. Care provided under this segment of MA also includes intermediate care facilities and day training and habilitation for people with developmental disabilities.

Who it serves

- 12,000 average monthly recipients

How much it costs

- $1.3 billion total spending
- $574 million state funds

Data for FY 2024

Alternative Care

The Alternative Care (AC) waiver provides home and community based services for people age 65 and older at risk of Nursing Facility placement who do not currently meet financial eligibility requirements for MA, but would be expected to spend down to MA eligibility within 135 days after entering a Nursing Facility. The state share of AC is financed through a fixed appropriation with unspent funds canceling to MA.

February 2025 forecast highlights

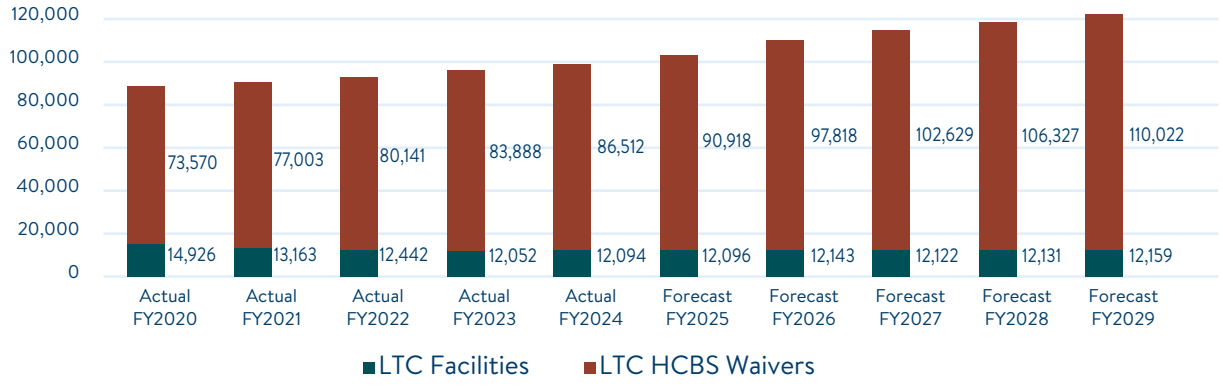
General Fund

Changes from the November 2024 forecast

- Decrease of $0.1 million in 2024-2025 biennium (-0.0%)
- Increase of $8.1 million in 2026-2027 biennium (+0.6%)
- Increase of $9.7 million in 2028-2029 biennium (+0.7%)

Reasons: The February forecast for MA LTC Facilities produces General Fund increases in the 2026-2027 and 2028-2029 biennia. These forecast increases are primarily due to average payment increases and increased paid days projections for Nursing Facilities. The projected average payment increases are mostly driven by an increase in the estimated average operating rate since the previous forecast. Increased paid days projections are due to an upturn (from a flatter trend more recently) in the recipient data. These changes in the Nursing Facilities projections result in state forecast increases of $9 million in the 2026-2027 biennium and $11 million in the 2028-2029 biennium.

Long-term care facilities and waivers: Average monthly recipients



Medical Assistance Long-Term Care:
Waivers and Home Care

Medical Assistance also pays for people to receive long-term care waivers, long-term care services and supports, or home care services in their homes and communities. Long-Term Care waivers, also known as Home and Community- Based Services (HCBS) waivers, are an alternative for people who need long-term care services but who do not choose to live in a nursing facility, intermediate care facility or hospital. The federal government allows states to apply for long-term care waivers, which provide a variety of services that help people live in the community instead of in a facility or institution. Waivers include the Elderly Waiver (EW) and the four disability waivers: Developmental Disabilities (DD), Community Access for Disability Inclusion (CADI), Community Alternative Care (CAC) and Brain Injury (BI). Care provided under this segment of MA also includes Personal Care Assistance (PCA), Home Care Nursing, Housing Stabilization Services and Home Health Agency.

Who it serves

- 89,300 average monthly recipients

How much it costs

- $6.4 billion total spending
- $3.0 billion state funds

Data for FY 2024

February 2025 forecast highlights

General Fund

Changes from the November 2024 forecast

- Increase of $56.5 million in 2024-2025 biennium (+0.8%)
- Increase of $178.0 million in 2026-2027 biennium (+2.1%)
- Increase of $147.3 million in 2028-2029 biennium (+1.5%)

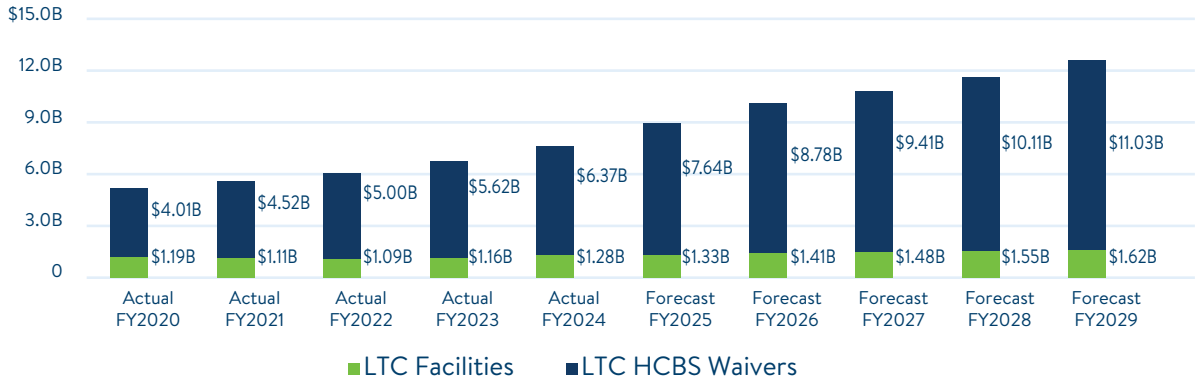
Reasons: The February forecast for MA LTC Waivers and Home Care produces General Fund increases throughout the forecast horizon. These forecast costs are primarily the result of higher average payments in the disability waivers and increased recipients in the Developmental Disability (DD) waiver.

Increases in average payments across the disability waivers are due to a combination of technical changes and data experience. The primary technical change is due to updated estimates of the impact of Disability Waiver Rate System (DWRS) inflation adjustments set to occur January 1, 2026, and January 1, 2028. These updated estimates result in average payments about 1% higher than previously projected. Other technical changes include re-calibrating the estimated impacts of future legislated changes in the waiver programs such as Waiver Reimagine to more accurately reflect the current forecast base. This re-calibration of average payment impacts provides some offsetting savings, particularly in the Community Access for Disability Inclusion (CADI) waiver. In addition, the disability waivers average payment data from early FY2025 is trending about 1.5% higher than previously forecast. As a result, disability waiver average payment forecasts are adjusted upward to reflect these higher levels. Together, these disability waiver average payment changes result in state forecast increases of $25 million in the 2024-2025 biennium, $124 million in the 2026-2027 biennium, and $95 million in the 2028-2029 biennium.

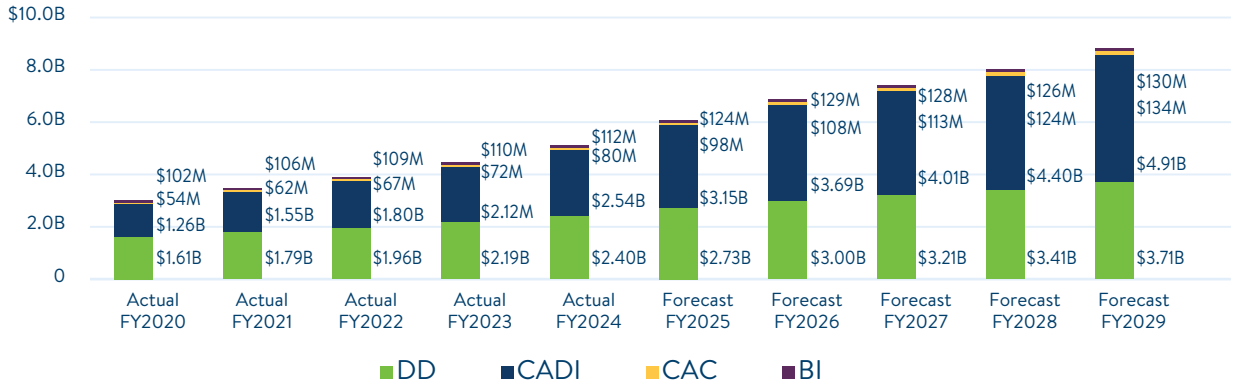
Recent data show higher recipient growth than previously projected in the DD waiver. This unanticipated growth is concentrated in children and youth. The base DD recipient forecast is increased about 1% to accommodate this growth. This change results in state forecast increases of $10 million in the 2024-2025 biennium, $36 million in the 2026-2027 biennium, and $45 million in the 2028-2029 biennium.

Other changes in this budget area include increased state costs in the PCA/CFSS programs of $20 million in the 2024-2025 biennium and $9 million in the 2026-2027 biennium. PCA recipients are currently being transitioned to the new CFSS program; however, the transition has been slower than assumed in the previous forecast. This reduces the claims eligible for the enhanced federal match of 6% received under CFSS, resulting in additional state costs relative to the previous forecast. In addition, parent and spouse caregivers under PCA are funded with 100% state funds until they transition to CFSS; recent data show more take-up of this option than previously projected. These impacts are in the short-run only and disappear by the 2028-2029 biennium, when CFSS is expected to be fully implemented.

Long-term care facilities and waivers expenditures — all funds



Disability waivers expenditures — all funds



Historical Table

	A: Long Term Care (LTC) Facilities		B: LTC Waivers (Home & Community Based Services)		A + B = Total LTC	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2013	920,580,121		2,260,064,090		3,180,644,211	
2014	928,436,824	0.85%	2,446,905,605	8.27%	3,375,342,429	6.12%
2015	924,087,037	(0.47%)	2,797,274,346	14.32%	3,721,361,383	10.25%
2016	974,634,622	5.47%	2,878,037,420	2.89%	3,852,672,043	3.53%
2017	1,078,833,590	10.69%	3,040,609,756	5.65%	4,119,443,345	6.92%
2018	1,087,985,308	0.85%	3,270,556,814	7.56%	4,358,542,122	5.80%
2019	1,154,228,650	6.09%	3,558,835,259	8.81%	4,713,063,909	8.13%
2020	1,190,569,963	3.15%	4,009,994,313	12.68%	5,200,564,275	10.34%
2021	1,110,015,824	(6.77%)	4,518,911,142	12.69%	5,628,926,967	8.24%
2022	1,092,540,765	(1.57%)	4,995,831,787	10.55%	6,088,372,552	8.16%
2023	1,164,769,658	6.61%	5,622,961,672	12.55%	6,787,731,330	11.49%
2024	1,283,911,579	10.23%	6,370,940,055	13.30%	7,654,851,634	12.77%
2025*	1,333,391,236	3.85%	7,644,275,563	19.99%	8,977,666,799	17.28%
2026*	1,406,242,019	5.46%	8,779,390,148	14.85%	10,185,632,167	13.46%
2027*	1,479,074,134	5.18%	9,405,985,685	7.14%	10,885,059,819	6.87%
2028*	1,551,545,758	4.90%	10,113,099,079	7.52%	11,664,644,837	7.16%
2029*	1,619,965,094	4.41%	11,030,197,430	9.07%	12,650,162,523	8.45%
Avg. Annual Increase 2013-2024		3.07%		9.88%		8.31%

**Projected*

Medical Assistance Basic Care:
Elderly and Disabled

This program covers general medical care for elderly and disabled Medical Assistance enrollees. People eligible to receive basic care services are 65 years or older, blind or have a disability. Their income and assets must also fall below allowable limits. For almost all of the elderly and for about 50 percent of the disabled who have Medicare coverage, Medical Assistance acts as a Medicare supplement paying premiums and cost sharing. For those who are not eligible for Medicare, Medical Assistance pays for all their medical care. Also included in this segment are MA enrollees who are residents in an Institute for Mental Disease (IMD). Covered services for these individuals would be eligible for federally-matched MA if they did not reside in a facility which is designated by federal regulations as an IMD. Being a resident in an IMD makes covered services for these individuals ineligible for federal matching. Elderly Waiver managed care is also included in this section because it is paid as an add-on to the Elderly Basic Care capitation payment.

Who it serves

- 197,400 average monthly enrollees

How much it costs

- $4.0 billion total spending
- $1.9 billion state funds

Data for FY 2024

February 2025 forecast highlights

General Fund

Changes from the November 2024 forecast

- Increase of $28.9 million in 2024-2025 biennium (+0.6%)
- Increase of $36.7 million in 2026-2027 biennium (+0.7%)
- Increase of $60.4 million in 2028-2029 biennium (+1.0%)

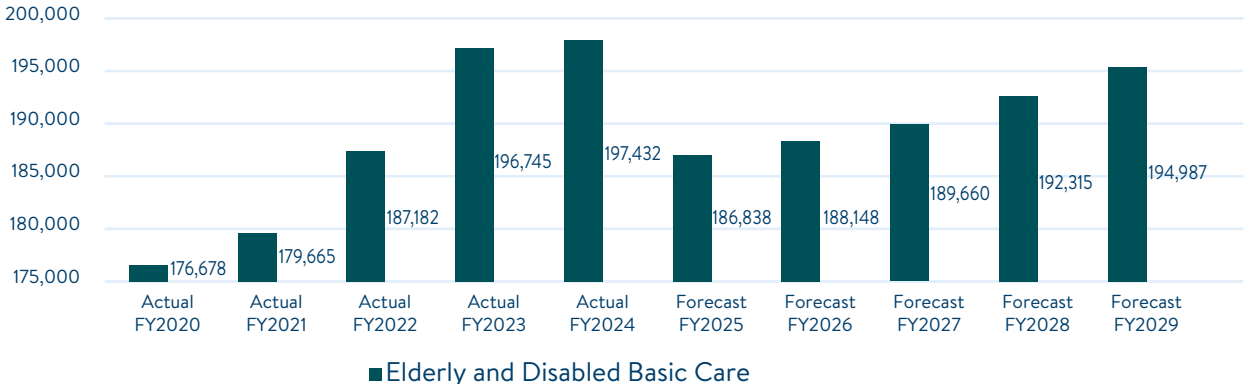
Reasons: The February forecast for MA Elderly and Disabled Basic Care produces General Fund increases throughout the forecast horizon. These forecast costs are the result of higher FFS average payments and higher managed care capitation rates for Disabled enrollees partially offset by slightly lower Disabled enrollment.

Average FFS payments were higher than expected in November and December leading to a base increase impacting all three forecasted biennia. During the pandemic, FFS average payments steadily fell as suspension of annual renewals increased the caseload percentage in managed care and limited overall enrollment churn in the program. MA program dynamics are now in transition following the unwinding, and it is assumed that this higher-than-expected FFS average payment experience is a shift from relatively low average payments under the pandemic to a new post-pandemic normal. Most of the recent average payment increases in this category were for Disabled enrollees leading to a 2% base increase for this population. Overall, higher projected FFS average payments for MA Elderly and Disabled result in state forecast costs of $36 million in the 2024-2025 biennium, $42 million in the 2026-2027 biennium, and $51 million in the 2028-2029 biennium.

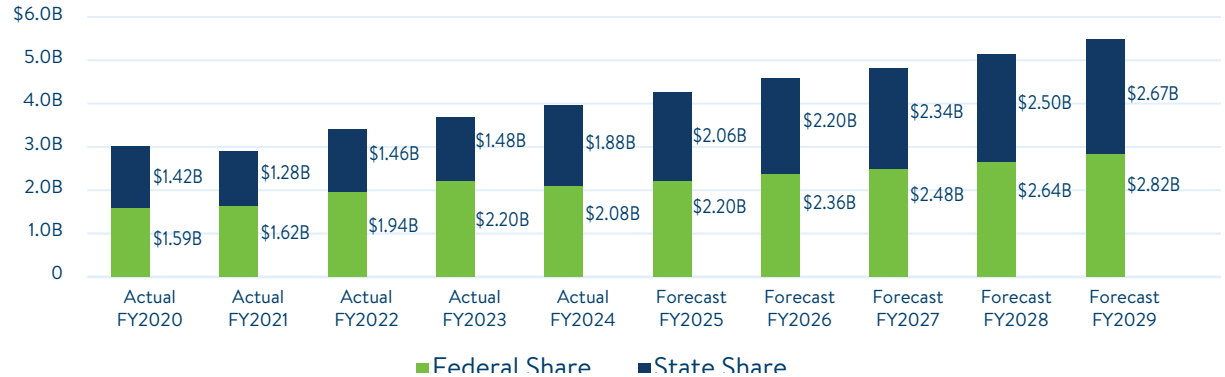
The February forecast also includes increases in managed care capitation rates for the Disabled population due to a 2025 managed care contract amendment. The 2025 managed care contracts were recently amended to account for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs. Emerging experience has shown a continuation of significant increased use of these weight loss drugs. As a result, the actuaries incorporated an adjustment representing an additional increase on top of the trends used to project these weight loss drugs in the original 2025 contract rates. Higher projected managed care capitation rates for the Disabled population result in state forecast increases of $1 million in the 2024-2025 biennium, $11 million in the 2026-2027 biennium, and $13 million in the 2028-2029 biennium.

Partially offsetting these forecast costs is an average half-percent reduction in projected Disabled caseload, which results in state forecast savings of $5 million in the 2024-2025 biennium, $14 million in the 2026-2027 biennium, and $2 million in the 2028-2029 biennium.

Elderly and Disabled Basic Care: Average monthly enrollees



Elderly and Disabled Basic Care expenditures



Historical table

	Elderly & Disabled Basic Care	
FY	Total $	% Change
2013	2,087,793,116	
2014	2,500,339,126	19.76%
2015	2,343,980,418	(6.25%)
2016	2,580,811,749	10.10%
2017	2,525,666,619	(2.14%)
2018	2,894,549,433	14.61%
2019	2,780,093,762	(3.95%)
2020	3,011,306,799	8.32%
2021	2,903,228,285	(3.59%)
2022	3,406,926,353	17.35%
2023	3,681,809,514	8.07%
2024	3,962,525,869	7.62%
2025*	4,258,745,442	7.48%
2026*	4,580,999,074	7.57%
2027*	4,818,753,069	5.19%
2028*	5,145,081,059	6.77%
2029*	5,484,118,080	6.59%
Avg. Annual Increase 2013-2024		6.00%

**Projected*

From FY 2013 through FY 2022 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Basic Care:
Adults without Children

In March 2011, Minnesota elected to implement the early expansion of MA eligibility for Adults without Children with income up to 75% of the federal poverty level under the Affordable Care Act. In January 2014, Minnesota implemented full expansion of MA eligibility up to 138% of the federal poverty level for this population. Currently, at 138% federal poverty levels, the income eligibility limit for a single adult to be covered under this program is $20,783 per year.

As Minnesota's newly eligible expansion population under the Affordable Care Act, this segment of MA received 100% federal match from Calendar Year (CY) 2014 through CY 2016. Beginning in CY 2017, the federal match rate stepped down each year until it hit 90% in CY 2020. This now becomes the ongoing fixed federal match rate for this expansion population.

Who it serves

- 283,700 average monthly enrollees

How much it costs

- $3.3 billion total spending
- $325 million state funds

Data for FY 2024

February 2025 forecast highlights

General Fund

Changes from the November 2024 forecast

- Increase of $12.5 million in 2024-2025 biennium (+2.1%)
- Increase of $19.4 million in 2026-2027 biennium (+3.4%)
- Increase of $19.7 million in 2028-2029 biennium (+3.2%)

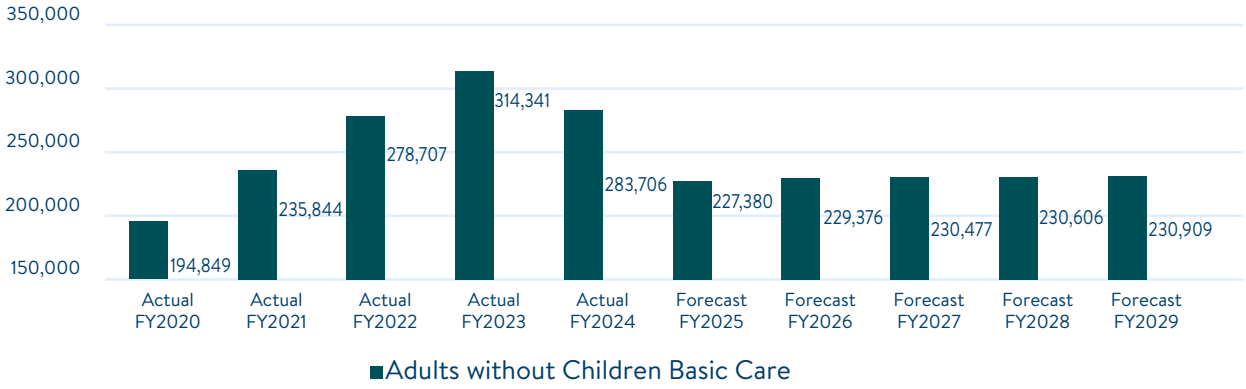
Reasons: The February forecast for MA Adults without Children Basic Care produces a roughly 3% increase in state costs for this population. These forecast adjustments are due to increases in FFS average payments and higher managed care capitation payments, partially offset by lower-than-expected enrollment.

Average FFS payments were higher than expected in November and December leading to a base increase impacting all three forecasted biennia. During the pandemic, FFS average payments steadily fell as suspension of annual renewals increased the caseload percentage in managed care and limited overall enrollment churn in the program. MA program dynamics are now in transition following the unwinding, and it is assumed that this higher-than-expected FFS average payment experience is a shift from relatively low average payments under the pandemic to a new post-pandemic normal. This forecast adjustment represents a 2% increase in average payments for Adults without Children and results in state forecast costs of $10 million in the 2024-2025 biennium, $15 million in the 2026-2027 biennium, and $15 million in the 2028-2029 biennium.

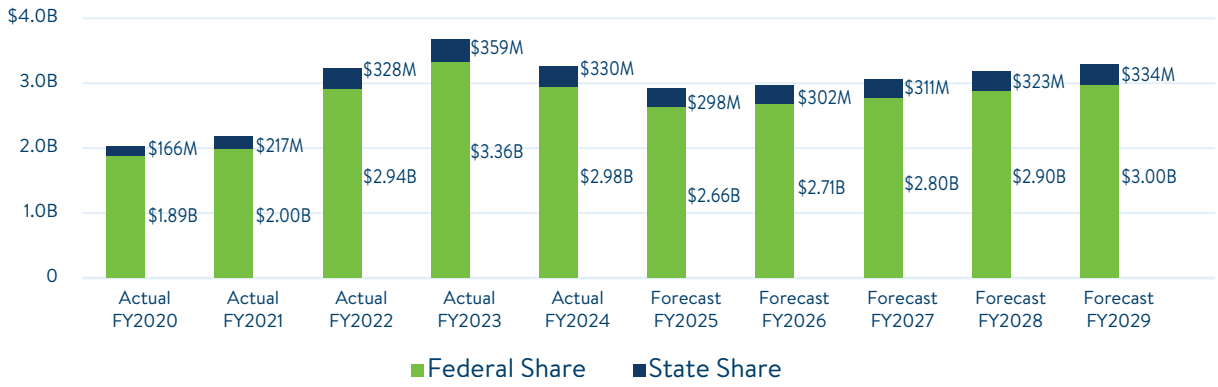
The February forecast also includes increases in managed care capitation rates due to adjustments to 2024 capitation rates and a 2025 managed care contract amendment. Capitation rates for 2024 were amended primarily for an acuity adjustment coming out of the pandemic. In rate development, acuity is modelled relative to changes in enrollment. Updating enrollment in the actuarial model following the unwinding resulted in increased acuity in the Adults without Children population relative to the projections used to set 2024 contract rates. Also, the 2025 managed care contracts were recently amended to account for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs. Emerging experience has shown a continuation of significant increased use of these weight loss drugs. As a result, the actuaries incorporated an adjustment representing an additional increase on top of the trends used to project these weight loss drugs in the original 2025 contract rates. Overall, higher projected managed care capitation rates result in state forecast increases of $9 million in the 2024-2025 biennium, $16 million in the 2026-2027 biennium, and $18 million in the 2028-2029 biennium.

Partially offsetting these forecast costs is a 2.5% base reduction in projected Adults without Children caseload. This is due to lower-than-expected enrollment in the updated eligibility data since the November forecast, and results in state forecast reductions of $6 million in the 2024-2025 biennium, $15 million in the 2026-2027 biennium, and $16 million in the 2028-2029 biennium.

Adults without Children Basic Care: Average monthly enrollees



Adults without Children Basic Care expenditures



Historical table

	Adults without Children Basic Care	
FY	Total $	% Change
2013	792,232,465	
2014	1,063,752,126	34.27%
2015	1,694,519,567	59.30%
2016	1,658,897,539	(2.10%)
2017	1,754,237,945	5.75%
2018	1,967,493,174	12.16%
2019	1,820,960,373	(7.45%)
2020	2,057,466,402	12.99%
2021	2,218,344,088	7.82%
2022	3,267,553,093	47.30%
2023	3,717,762,030	13.78%
2024	3,307,354,593	(11.04%)
2025*	2,960,671,667	(10.48%)
2026*	3,009,360,142	1.64%
2027*	3,111,991,044	3.41%
2028*	3,225,693,777	3.65%
2029*	3,336,392,159	3.43%
Avg. Annual Increase 2013-2024		13.87%

**Projected*

1 2014 and 2015 reflect increases due to implementation of full expansion for this population.

From FY 2013 through FY 2022 there are managed care payment delays from odd years to even years which impact the annual percent change.

Medical Assistance Basic Care:
Families with Children

This activity funds general medical care for children, parents and pregnant women, including families receiving Minnesota Family Investment Program (MFIP) and those with transition coverage after exiting MFIP. This segment also includes funding for Family Planning Services and for Breast and Cervical Cancer coverage. This segment also includes non-citizens who are ineligible for federal Medicaid match, but almost all of whom are eligible for enhanced federal Children's Health Insurance Program (CHIP) funding.

Enhanced federal CHIP funding is also available for children with family income over 133% of the federal poverty level. This funding supplements the regular Medicaid match with an additional enhanced federal match, within the limits of Minnesota's CHIP allocation from the federal government.

Who it serves

- 836,600 average monthly enrollees

How much it costs

- $3.5 billion total spending
- $1.6 billion state funds

Data for FY 2024

February 2025 forecast highlights

General Fund

Changes from the November 2024 forecast

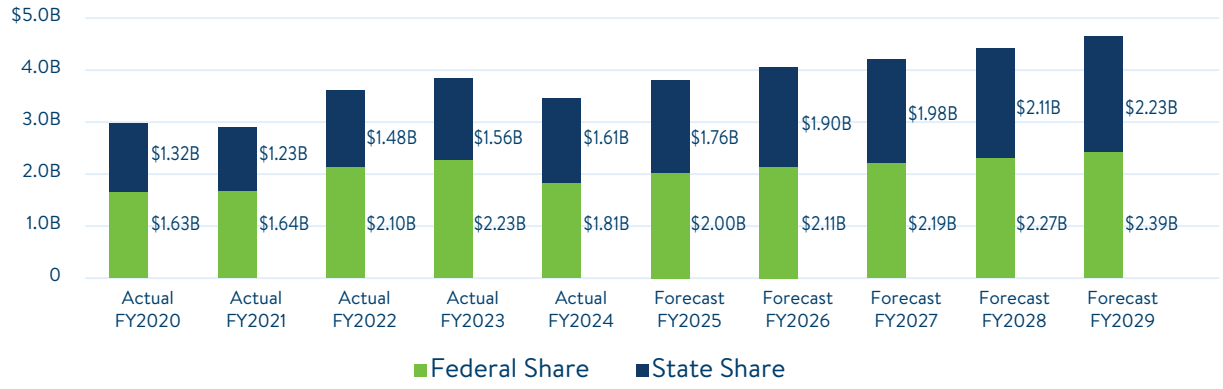
- Increase of $62.6 million in 2024-2025 biennium (+2.0%)
- Increase of $80.6 million in 2026-2027 biennium (+2.2%)
- Increase of $105.1 million in 2028-2029 biennium (+2.6%)

Reasons: The February forecast for MA Families with Children Basic Care produces a roughly 2% increase in state costs for this population. These forecast adjustments are due to increases in FFS average payments and higher managed care capitation payments.

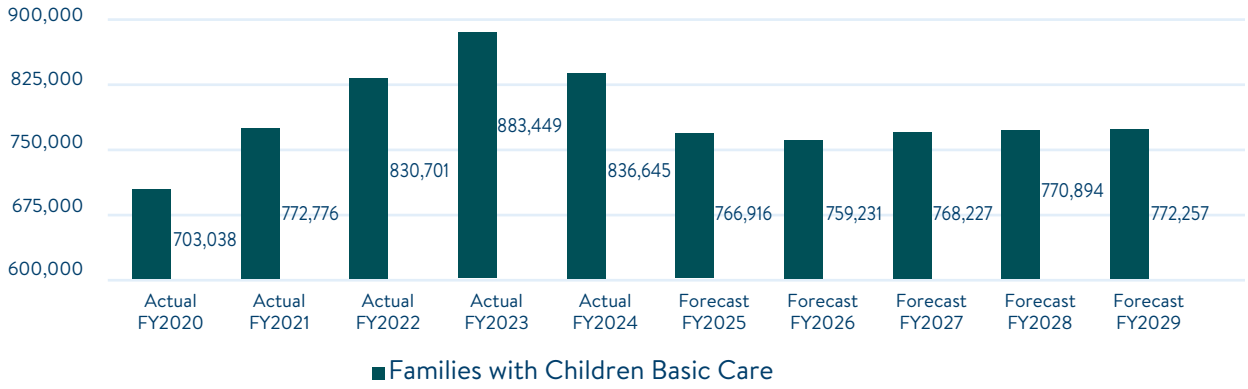
Average FFS payments were higher than expected in November and December leading to a base increase impacting all three forecasted biennia. During the pandemic, FFS average payments steadily fell as suspension of annual renewals increased the caseload percentage in managed care and limited overall enrollment churn in the program. MA program dynamics are now in transition following the unwinding, and it is assumed that this higher-than-expected FFS average payment experience is a shift from relatively low average payments under the pandemic to a new post-pandemic normal. This forecast adjustment represents slightly less than a 1% increase in average payments for Families with Children and results in state forecast costs of $20 million in the 2024-2025 biennium, $18 million in the 2026-2027 biennium, and $32 million in the 2028-2029 biennium.

The February forecast also includes increases in managed care capitation rates due to adjustments to 2024 capitation rates and a 2025 managed care contract amendment. Capitation rates for 2024 were amended primarily for an acuity adjustment coming out of the pandemic. In rate development, acuity is modelled relative to changes in enrollment. Updating enrollment in the actuarial model following the unwinding resulted in increased acuity in the Families with Children population relative to the projections used to set 2024 contract rates. Also, the 2025 managed care contracts were recently amended to account for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs. Emerging experience has shown a continuation of significant increased use of these weight loss drugs. As a result, the actuaries incorporated an adjustment representing an additional increase on top of the trends used to project these weight loss drugs in the original 2025 contract rates. Overall, higher projected managed care capitation rates result in state forecast increases of $32 million in the 2024-2025 biennium, $51 million in the 2026-2027 biennium, and $57 million in the 2028-2029 biennium.

Families with Children Basic Care expenditures



Families with Children Basic Care: Average monthly enrollees



Historical table

	Families with Children Basic Care	
FY	Total $	% Change
2013	1,984,933,703	
2014	2,325,681,264	17.17%
2015	2,824,621,054	21.45%
2016	3,132,757,395	10.91%
2017	2,489,109,726	(20.55%)
2018	3,328,145,413	33.71%
2019	2,966,084,110	(10.88%)
2020	3,099,398,871	4.49%
2021	3,012,656,261	(2.80%)
2022	3,725,043,094	23.65%
2023	3,955,928,908	6.20%
2024	3,588,284,219	(9.29%)
2025*	3,954,722,161	10.21%
2026*	4,203,768,782	6.30%
2027*	4,362,627,724	3.78%
2028*	4,572,686,726	4.81%
2029*	4,804,991,351	5.08%
Avg. Annual Increase 2013-2024		5.53%

**Projected*

Includes family planning, breast and cervical cancer coverage, pharmacy rebates, special funding items and adjustments

From FY 2013 through FY 2022 there are managed care payment delays from odd years to even years which impact the annual percent change.

MinnesotaCare

MinnesotaCare provides health care coverage for low-income parents and adults without children who have higher income than those served on the Medical Assistance program as well as legal noncitizens who are ineligible for MA. Unlike MA, MinnesotaCare requires enrollee premiums and does not include coverage for long-term care services or supports.

Effective January 2015, MinnesotaCare operates as the state's Basic Health Program (BHP). As a BHP, MinnesotaCare no longer receives federal funding in the form of a percentage expenditure match. Instead, the state receives a per person subsidy equal to 95% of the premium tax credits each BHP enrollee would have received through MNsure had the state opted against running a BHP.

MinnesotaCare also provides coverage for people with Deferred Action for Childhood Arrivals (DACA) status and state-only funded coverage for certain elderly individuals who do not qualify for Medicare and are not MA or BHP eligible. Overall, MinnesotaCare is funded with a mix of enrollee premiums, Health Care Access Fund (HCAF) appropriations, and federal BHP funds (for the BHP eligible population).

Who it serves

- 101,900 average monthly enrollees

How much it costs

- $663 million total spending
- $80 million state funds

Data for FY 2024

February 2025 forecast highlights

Health Care Access Fund

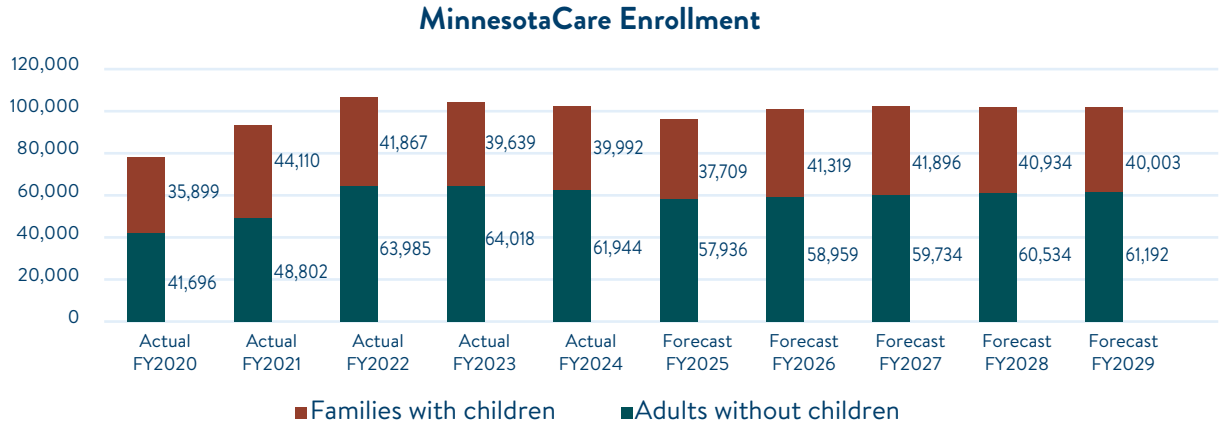
Changes from the November 2024 forecast

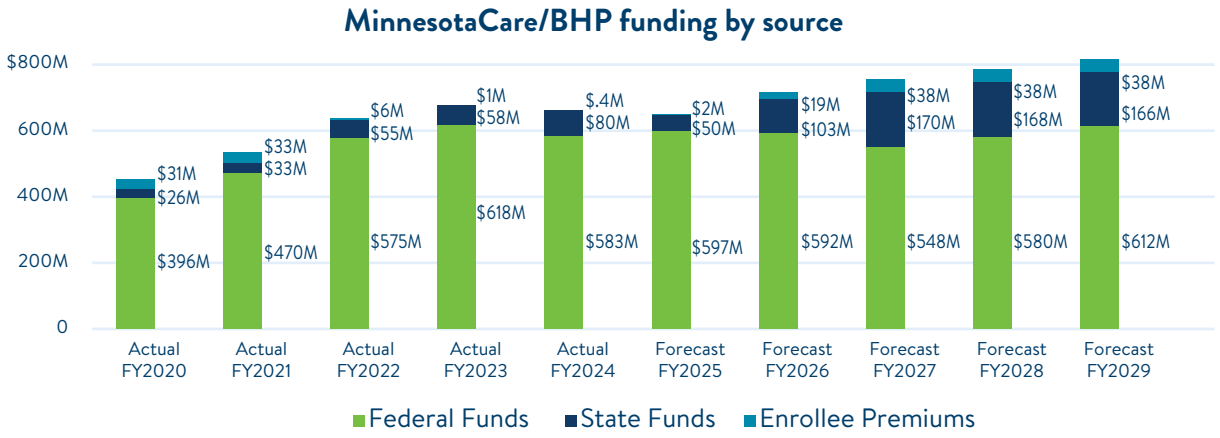
- Increase of $0.5 million in 2024-2025 biennium (+0.4%)
- Increase of $68.4 million in 2026-2027 biennium (+33.4%)
- Increase of $77.0 million in 2028-2029 biennium (+30.0%)

Reasons: The February forecast produces HCAF costs in all three forecasted biennia. These projected costs are primarily the result of increased managed care capitation payments and increased Basic Health Program (BHP) enrollment.

The February forecast includes managed care capitation rate increases due to a 2025 contract amendment. The 2025 contracts were amended to account for the rapidly growing utilization and cost trends for GLP-1 (weight loss) drugs. Emerging experience has shown a continuation of significant increased use of these weight loss drugs. As a result, the actuaries incorporated an adjustment representing an additional increase on top of the trends used to project these weight loss drugs in the original 2025 contract rates. Higher projected managed care capitation rates In MinnesotaCare result in projected state HCAF increases of $8 million in the 2024-2025 biennium, $51 million in the 2026-2027 biennium, and $56 million in the 2028-2029 biennium.

Adding to these forecast costs is a 3% average increase in BHP caseload. This is due to higher-than-expected enrollment in the updated eligibility data since the November forecast, and results in state HCAF increases of roughly $18 million in the 2026-2027 biennium and $21 million in the 2028-2029 biennium.





Historical table

	MinnesotaCare Total Expenditures	
FY	Total $	% Change
2013	569,928,239	
2014	520,005,344	(8.76%)
2015	509,709,340	(1.98%)
2016	479,909,046	(5.85%)
2017	397,211,084	(17.23%)
2018	426,581,269	7.39%
2019	438,365,628	2.76%
2020	452,661,457	3.26%
2021	536,139,602	18.44%
2022	636,664,399	18.75%
2023	676,469,952	6.25%
2024	663,018,392	(1.99%)
2025*	648,898,751	(2.13%)
2026*	714,869,562	10.17%
2027*	755,384,773	5.67%
2028*	785,534,014	3.99%
2029*	815,987,937	3.88%
Avg. Annual Increase 2013-2024		1.38%

**Projected*

Behavioral Health Fund

The Behavioral Health Fund pays for residential and outpatient substance use disorder (SUD) treatment services for eligible low-income Minnesotans. The fund also pays for room and board for recipients of residential treatment, including SUD treatment paid for by managed care plans, and for recipients of certain residential mental health services. To access treatment services paid by the fund, individuals must meet financial eligibility guidelines similar to those for Medical Assistance.

Who it serves

- 33,900 unique recipients

How much it costs

- $223 million total spending
- $95 million state funds

Data for FY 2024

February 2025 forecast highlights

General Fund

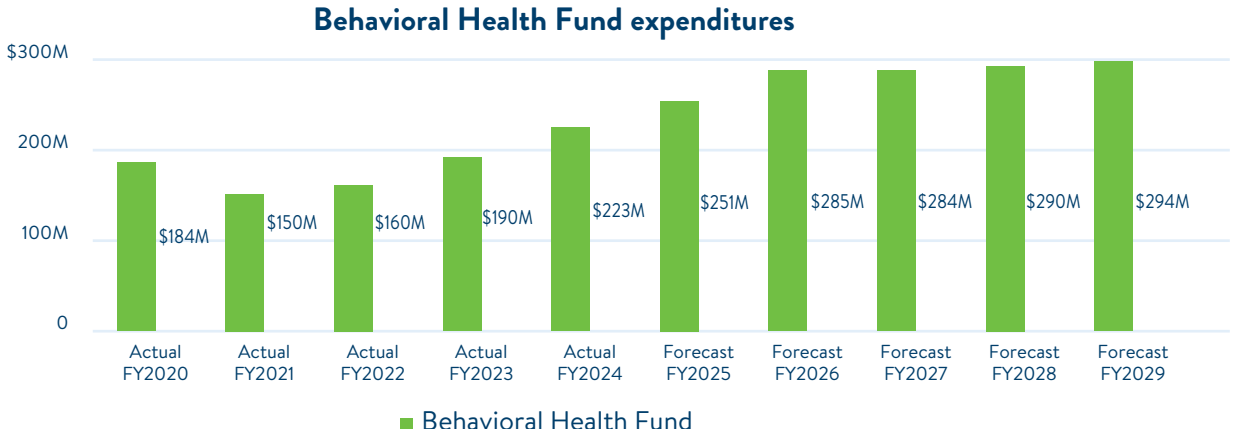
Changes from the November 2024 forecast

- Increase of $125.3 million in 2024-2025 biennium (+62.0%)
- Increase of $25.0 million in 2026-2027 biennium (+10.6%)
- Increase of $6.2 million in 2028-2029 biennium (+2.5%)

Reasons: The February forecast for the Behavioral Health Fund produces General Fund increases across all three forecast biennia, but especially in the 2024-2025 biennium.

The increases in the 2024-2025 and 2026-2027 biennia result from correction of improper claiming of federal funding for seven tribal residential facilities for SUD treatment. It was recently discovered that these facilities are ineligible for federal funding because they meet the definition of an Institute for Treatment of Mental Diseases (IMD). As a result, the system has been claiming historical federal share for these providers when, in fact, they were not eligible for federal match as an IMD. The costs for these forecast adjustments consist of a retroactive correction of past years' claims and anticipated future effects of claiming less federal funding. The 2024-2025 biennium increase consists of a projected retroactive adjustment of $113 million plus $12 million for reduced federal funding in the second half of FY2025. In the 2026-2027 biennium, reduced federal funding accounts for $19 million of the overall forecast increase. No added costs related to this issue are projected for the 2028-2029 biennium because the affected tribal facilities are expected to enroll in the SUD waiver by the beginning of FY2027, which will restore their eligibility for federal funding.

The remaining $6 million forecast increase in the 2026-2027 biennium and the total $6 million increase in the 2028-2029 biennium result from higher projected room and board costs for recipients of residential SUD treatment covered under Medical Assistance managed care.



Historical table

	Behavioral Health Fund Total Expenditures	
FY	Total $	% Change
2013	138,539,414	
2014	138,744,237	0.15%
2015	169,583,060	22.23%
2016	159,611,752	-5.88%
2017	186,287,061	16.71%
2018	211,925,848	13.76%
2019	215,706,572	1.78%
2020	184,310,877	(14.55%)
2021	149,925,383	(18.66%)
2022	159,546,209	6.42%
2023	189,827,372	18.98%
2024	222,583,654	17.26%
2025*	251,143,441	12.83%
2026*	284,814,200	13.41%
2027*	284,476,877	(0.12%)
2028*	289,705,438	1.84%
2029*	294,301,841	1.59%
Avg. Annual Increase 2013-2024		4.40%

**Projected*

General Assistance, Housing Support and Minnesota Supplemental Aid

General Assistance (GA) provides state-funded cash assistance for single adults and couples without children, provided they meet one of the specific GA eligibility criteria. The most common reason people are GA eligible is illness or incapacity. The program is the primary safety net for very low income people and helps meet some of their basic and emergency needs. Housing Support (HS) pays for housing and some services for individuals placed by the local agencies in a variety of residential settings. The program, formerly called Group Residential Housing, is a state-funded income supplement program that pays for room and board in approved locations. Two types of eligibility are distinguished: MSA-type recipients are elderly or disabled, with the same definitions as used for MA eligibility, while GA-type recipients include all other adults. Minnesota Supplemental Aid (MSA) supplements the incomes of Minnesotans who are eligible for the federal Supplemental Security Income program. MSA benefits cover basic daily or special needs.

Who it serves

GA

- 22,900 average monthly cases

HS

- 20,800 average monthly recipients

MSA

- 30,400 average monthly recipients

How much it costs

GA

- $52 million total spending, all state funds

HS

- $228 million total spending
- $225 million state funds

MSA

- $61 million total spending, all state funds

Data for FY 2024

February 2025 forecast highlights

General Assistance, General Fund

Changes from the November 2024 forecast

- Increase of $1.8 million in 2024-2025 biennium (+1.5%)
- Increase of $3.3 million in 2026-2027 biennium (+1.9%)
- Increase of $3.4 million in 2028-2029 biennium (+2.0%)

Reasons: The February forecast produces General Assistance spending increases in all biennia. These increases are driven by more people getting the higher GA standard in community settings effective October 2024.

Housing Support, General Fund

Changes from the November 2024 forecast

- Increase of $2.4 million in 2024-2025 biennium (+0.5%)
- Increase of $4.1 million in 2026-2027 biennium (+0.8%)
- Increase of $3.0 million in 2028-2029 biennium (+0.5%)

Reasons: The February forecast produces Housing Support spending increases in all biennia. These projected increases are driven by higher-than-expected caseload in recent eligibility data.

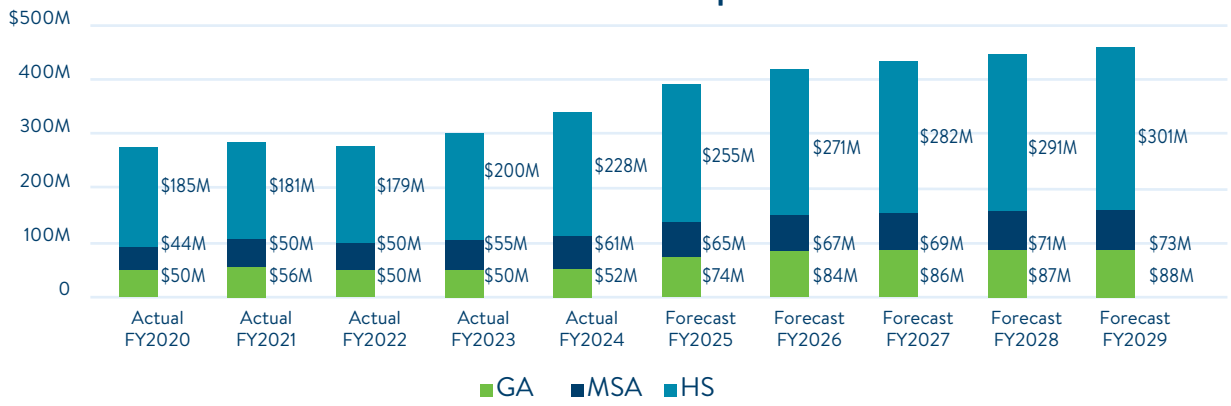
Minnesota Supplemental Aid, General Fund

Changes from the November 2024 forecast

- Increase of $0.1 million in 2024-2025 biennium (+0.1%)
- No change in 2026-2027 biennium (+0.0%)
- No change in 2028-2029 biennium (+0.0%)

Reasons: The February forecast produces a Minnesota Supplemental Aid spending increase in the 2024-2025 biennium. This increase is due to higher-than-expected actual average payments.

Non-MFIP cash assistance expenditures



Historical table

	General Assistance (GA)		Minnesota Supplemental Aid (MSA)		Housing Support (HS)	
FY	Total $	% Change	Total $	% Change	Total $	% Change
2013	51,620,198		36,038,980		130,187,929	
2014	51,124,719	(0.96%)	36,478,561	1.22%	138,708,619	6.54%
2015	51,435,727	0.61%	37,066,951	1.61%	141,396,622	1.94%
2016	50,443,730	(1.93%)	37,735,036	1.80%	149,460,915	5.70%
2017	49,556,022	(1.76%)	38,309,226	1.52%	159,456,706	6.69%
2018	48,883,093	(1.36%)	39,065,624	1.97%	160,535,838	0.68%
2019	50,301,759	2.90%	41,128,443	5.28%	166,972,636	4.01%
2020	49,778,343	(1.04%)	43,502,787	5.77%	184,631,491	10.58%
2021	56,011,116	12.52%	50,075,641	15.11%	180,881,960	(2.03%)
2022	49,691,402	(11.28%)	50,059,850	(0.03%)	179,487,035	(0.77%)
2023	50,276,075	1.18%	54,581,396	9.03%	199,791,604	11.31%
2024	52,128,877	3.69%	60,849,989	11.48%	228,444,519	14.34%
2025*	73,848,874	41.67%	65,285,508	7.29%	255,417,775	11.81%
2026*	84,137,292	13.93%	67,113,286	2.80%	271,258,850	6.20%
2027*	86,462,341	2.76%	69,089,259	2.94%	281,703,192	3.85%
2028*	87,188,742	0.84%	71,163,567	3.00%	291,141,049	3.35%
2029*	87,621,480	0.50%	73,299,357	3.00%	301,053,494	3.40%
Avg. Annual Increase 2013-2024		0.09%		4.88%		5.24%

**Projected*

February 2025 forecast changes: In a nutshell

Millions of dollars	2024-2025 Biennium	2026-2027 Biennium	2028-2029 Biennium
General Fund Total Change	289.9	355.3	354.7
General Fund Percent Change	1.9%	1.9%	1.6%
Summary Changes Across All Budget Activities			
MA LTC Disability Waivers	35.0	159.8	140.7
MA Basic Care FFS average payments	64.8	75.2	98.1
MA Basic Care HMO rate adjustments	42.3	78.7	87.6
Tribal IMDs: Federal funding adjustment	125.1	19.3	0.0
Other changes	22.6	22.3	28.3
Detail Changes By Budget Activity			
MA LTC Facilities:	(0.1)	8.1	9.7
Nursing Facilities: avg pmt (+0.5%), paid days (+0.3%)	0.9	9.1	11.1
Other changes	(1.0)	(1.0)	(1.4)
MA LTC Waivers:	56.5	178.0	147.3
DD recipients (+1.3%)	9.9	35.7	45.3
DD average payments (+3.1%)	13.0	93.9	104.2
CADI average payments (< +/-1.0%)	12.1	30.2	(8.8)
PCA/CFSS transition	19.8	9.2	0.0
Other changes	1.7	9.1	6.5
MA Elderly and Disabled Basic:	28.9	36.7	60.4
Enrollment (Disabled -0.6%)	(4.8)	(13.9)	(1.7)
FFS average payments (Disabled +2%)	35.6	42.3	50.9
2025 HMO contract amendment: weight loss drugs	1.3	11.3	13.0
Other changes	(3.2)	(2.9)	(1.8)

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	2024-2025 Biennium	2026-2027 Biennium	2028-2029 Biennium
MA Adults with No Children Basic:	12.5	19.4	19.7
Enrollment (-2.5%)	(6.2)	(15.0)	(15.9)
FFS average payments (+2%)	9.6	14.9	15.3
2024 HMO rate amendment: acuity adjustment	6.5	0.0	0.0
2025 HMO rate amendment: weight loss drugs	2.5	16.2	17.9
Other changes	0.1	3.3	2.3
MA Families with Children Basic:	62.6	80.6	105.1
FFS average payments (+0.7%)	19.7	18.1	31.8
2024 HMO rate amendment: acuity adjustment	24.2	0.0	0.0
2025 HMO rate amendment: weight loss drugs	7.9	51.2	56.7
Other changes	10.8	11.3	16.6
Behavioral Health Fund	125.3	25.0	6.2
Tribal IMDs: Federal funding adjustment	125.1	19.3	0.0
Room & board for managed care treatment	1.6	7.3	8.2
Other changes	(1.5)	(1.5)	(2.1)
General Assistance	1.8	3.3	3.4
Housing Support	2.4	4.1	3.0
Minnesota Supplemental Aid	0.1	0.0	0.0

Health Care Access Fund Total Change	0.5	68.4	77.0
Health Care Access Fund Percent Change	0.0%	3.3%	3.9%
MinnesotaCare HCAF Funding	0.5	68.4	77.0
2025 HMO rate amendment: weight loss drugs	7.5	50.6	55.9
Other changes: Enrollment	(7.0)	17.8	21.1
MA HCAF Funding	0.0	0.0	0.0

Note: Represents the change from the November 2024 forecast.

Contacts and additional resources

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Resources

Minnesota Department of Human Services Reports and Forecasts Division
https://mn.gov/dhs/reports-and-forecasts/

State of Minnesota forecast
https://mn.gov/mmb/forecast/

DEPARTMENT OF HUMAN SERVICES