

Responding to federal Medicaid changes and uncertainty

Demand is growing while federal resources are less predictable than at any time in recent memory.

Challenge

Minnesota must come into compliance with federal Medicaid changes enacted in July 2025 or face an enormous risk of losing federal funding.

The federal changes represent the biggest disinvestment in Medicaid's history and will make it harder for some Minnesotans to keep their health insurance. As required under federal law, starting Oct. 1, 2026, some lawfully present immigrants will no longer qualify for Medical Assistance, the state's Medicaid program. Beginning Jan. 1, 2027, the federal government will subject people who enroll in Medical Assistance to new limits on retroactive coverage. On that same date, federal law will require some adults to face new administrative work requirements and more frequent eligibility checks called renewals. The federal government is also imposing new requirements on states to maintain current addresses for enrollees.

As these changes approach, demand for human services programs is growing while federal resources are less predictable than at any time in recent memory. Economic uncertainty and the impacts of federal actions are heightening the need for behavioral health, housing, health care and other services.

Proposal

Changes to state laws and administrative funding will allow Minnesota to comply with the new federal Medicaid eligibility requirements. This includes coverage restrictions on lawfully present Minnesotans, new limits to retroactive coverage, obtaining enrollee address information, six-month eligibility renewals, and work requirements. The state will also increase support for counties and Tribal Nations making eligibility determinations.

Additional funding for the Human Services Response Contingency Account will enable the state to respond to urgent needs for vulnerable populations.

The proposal's guiding principles are to comply with federal requirements, maintain coverage for eligible enrollees, minimize workforce burdens, simplify processes where possible, communicate with enrollees affected by the changes, and uphold fiscal responsibility.

Why It's Important

The federal changes will add significant administrative complexity to an already complex and strained human services system, requiring more human and technological capacity. Moreover, without compliance, Minnesota risks losing federal matching funds for Medicaid-eligible or -enrolled members impacted by these policy changes.

The federal changes threaten to leave more Minnesotans uninsured and facing large medical costs. While work requirements in other states have failed to show success and proven costly to implement, the risk of federal penalties force their implementation in Minnesota. The changes will also widen health disparities in Minnesota and undo progress toward health equity. While most enrollees in Minnesota are white, Medical Assistance covers a larger proportion of Black, American Indian, Asian, Pacific Islander and multiracial populations.

New retroactive coverage limits raise the risks of delayed or forgone care, worse health outcomes, medical debt and uncompensated care for anyone who qualifies for Medicaid but isn't yet enrolled. Six-month eligibility renewals and work requirements – affecting adults ages 21 to 64 who don't have dependent children or disabilities and are not American Indian or Alaska Native – will increase the risk of disenrollment and add barriers to health care access. Changes to Medicaid eligibility for some immigrants will end coverage options available for decades to lawful residents, including refugees, asylees, victims of human trafficking, and others.

Without sufficient funding to respond to these changes, the foundation of Minnesota's health care infrastructure is at risk. The state's uninsured rate already rose significantly in the previous two years. Many current Medical Assistance enrollees will soon need to meet new eligibility rules to keep their health insurance and will rely on state resources to do so. Further, without needed resources, risks increase for program integrity; audit errors under new, lower federal error thresholds; and federal repayments, withholds and deferrals.

Working with counties and Tribes to mitigate harm

The state will work with counties and Tribal Nations to improve program integrity and mitigate negative impacts of the federal Medicaid changes. Efforts will include providing consistent outreach and technical assistance, ensuring compliance with federal and state eligibility requirements, correcting processing and system errors, and reducing the risk of exceeding the 3% error limit to avoid federal penalties. Improvements in overall program integrity will help with equitable and accurate access to health care coverage for eligible Minnesotans.

Other provisions include IT system changes to support cost-sharing requirements coming in 2028 for some adults, a new ceiling for allowed home values for long-term care covered by Medical Assistance, and a requirement to consult the Commissioner of Human Services to ensure conformity with federal law before reducing the MinnesotaCare provider tax.

Increasing flexibility to respond to urgent needs

During a period of large federal budget cuts and ongoing fiscal uncertainty, the Human Services Response Contingency Account will provide crucial flexibility to address unforeseen and urgent human services needs.

For More Information

[Federal Compliance: Medical Assistance Eligibility Changes Due to H.R. 1](#)
[Federal Compliance: H.R. 1 Financing Related Response](#)
[Human Services Contingency Account](#)
[Summary of Medicaid provisions in the 2025 federal reconciliation bill](#)
[What the new federal budget law means for Medicaid](#)