



# Governor Walz and Lieutenant Governor Flanagan's 2025 Budget

Senate Human Services Committee  
February 17, 2025

# The new DHS identity is taking shape



## MISSION

In collaboration with community and partners, DHS supports people to thrive in community and live their healthiest and fullest lives.

## VISION

All people in Minnesota have what they need to thrive in community with no disparities.

# 2025 DHS 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 Human Services Proposals

|                     | FY26/27          | FY28/29            | Total              |
|---------------------|------------------|--------------------|--------------------|
| Behavioral Health   | (11,542)         | (37,766)           | (49,308)           |
| Program Integrity   | 10,960           | 10,554             | 21,514             |
| Disability Services | (280,116)        | (931,797)          | (1,211,913)        |
| Nursing Facilities  | (68,634)         | (135,119)          | (203,753)          |
| Other Proposals     | (23,062)         | (103,602)          | (126,664)          |
| <b>Grand Total</b>  | <b>(372,394)</b> | <b>(1,197,730)</b> | <b>(1,570,124)</b> |

A photograph of a doctor in a white coat with a yellow stethoscope around his neck, looking towards an elderly man. The man has white hair, a white beard, and wears glasses and a blue and white checkered shirt. They are in a bright room with large windows in the background. A dark blue banner is overlaid on the bottom half of the image, containing the text 'Program Integrity & Behavioral health' in white.

# Program Integrity & Behavioral health



Budget Book: Page 63

Fiscal Impact:  
\$11M in FY26/27  
\$10.6M in FY28/29

# EIDBI Provisional Licensure and Program Integrity

Addresses current concerns related to Early Intensive Developmental and Behavioral Intervention (EIDBI) agencies for enhanced accountability and service quality. This proposal increases protections for EIDBI program recipients through rigorous oversight and compliance. This proposal includes:

- Instituting a provisional license for EIDBI programs
- Implementing maltreatment investigation authority
- Shortening the re-validation cycle for service providers
- Updating systems to ensure providers clear a background study prior to enrollment
- Clarifying employer-employee requirements



Budget Book: Page 71

Fiscal Impact:  
(\$3.8M) in FY26/27  
(\$20.3M) in FY28/29

# Substance Use Disorder Treatment Service Changes

Addresses ongoing program integrity and workforce challenges in substance use disorder treatment by requiring more transparent billing standards and creating workforce opportunities for SUD treatment professionals. This proposal:

- Establishes six new billing codes for counseling, psychoeducation, and recovery support services
- Replaces the previous one-hour unit with a 15-minute unit
- Addresses workforce shortages by adjusting qualifications for treatment coordination and creating a new behavioral health practitioner role





Budget Book: Page 76

Fiscal Impact:  
\$2.8M in FY26/27  
(\$1.1M) in FY28/29

# Improving Supportive Recovery Housing Options

Bolsters oversight of recovery residences (formerly known as sober homes) and increases the protections for individuals living in recovery residences by:

- Creating a certification process for recovery residences
- Phasing out free standing room and board payment
- Allowing certified recovery residences to enter into Housing Support agreements with DHS

This proposal also establishes a workgroup to study long-term solutions for funding housing options for individuals living in a recovery residences.





Budget Book: Page 141

Fiscal Impact:  
(\$10.5M) in FY26/27  
(\$16.3M) in FY28/29

# Behavioral Health Fund Reforms

The Behavioral Health Fund (BHF) is used to pay for SUD treatment while an individual is waiting for MA or may not be eligible for MA due to incarceration. This proposal makes the following changes:

**Limit BHF Eligibility to 60 Days:** With the expansion of other health care options, this proposal shortens BHF coverage of SUD services from one year to 60 days. This will incentivize access to comprehensive healthcare benefits quicker, benefiting the whole person.

**Increase County Share:** Increases the current county share from 22.9% to 50%, except for services provided in carceral settings.

**Remove local agency allocation:** Removes administrative allocation originally intended to reimburse counties to conduct Rule 25 assessments, which are no longer conducted since Direct Access.

A young child with short dark hair, wearing a red and white striped shirt, is seen from behind, standing in front of a dark chalkboard. The child is using white chalk to draw a line graph. The graph features a vertical y-axis on the left and a horizontal x-axis at the bottom. A jagged line is drawn across the board, starting from the y-axis, rising to a peak, dipping slightly, and then continuing to rise towards the top right corner. The child's right hand is raised, pointing towards the end of the line. A semi-transparent dark blue rectangular box is overlaid on the lower-left portion of the image, containing the text 'Disability Services' in white.

# Disability Services



Budget Book: Page 112

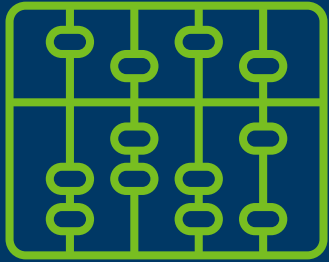
Fiscal Impact:  
\$68.3M in FY26/27  
\$50.5M in FY28/29

# Investments in Community First Services and Supports

Investments in the Community First Services and Supports (CFSS) and Consumer Directed Community Supports (CDCS) programs, funding the agreement between the State of MN and SEIU.

Investments include:

- Effective 1/1/26, increasing rates for experienced workers
- Effective 1/1/26, increasing the enhanced rate from 7.5% to 12.5%
- Effective 1/1/27, increasing rates for workers who have taken training/orientation
- Stipends to reimburse workers for healthcare costs and study future solutions for healthcare coverage
- Funding for an IT matching system that would connect workers to people looking for direct care workers



Budget Book: Page 124

Fiscal Impact:  
(\$50M) in FY26/27  
(\$79.8M) in FY28/29

# Reduce Disability Waiver Growth: DWRS Rate Exceptions & Input Monitoring

Reduces disability waiver growth with strategies to mitigate rising expenditures. Components of this proposal include:

- **Reducing the cost of rate exceptions in the Disability Waiver Rate System (DWRS)** – This includes limitations on what qualifies for an exception and documentation requirements on incurred costs at renewal.
- **Rate input monitoring and oversight** – This includes validating DWRS inputs (ie. staff time) with costs incurred to ensure service plans and rates paid reflect what is provided to a person.



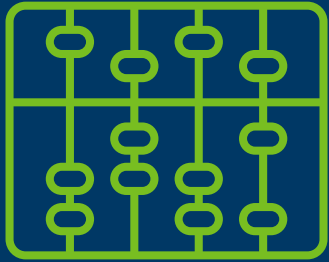
Budget Book: Page 128

Fiscal Impact:  
(\$94.7M) in FY26/27  
(\$309.2M) in FY28/29

# Reduce Disability Waiver Growth: Residential Services

Reduces disability waiver growth with strategies to mitigate rising expenditures. Components of this proposal include:

- **Align residential billing with rates:** Residential service rates have a factor that increases the rate to account for absence days. This proposal will limit billing to 351 days to align with the absence and utilization factor of 3.9%.
- **Customized living services:** Limit access to all Customized Living Services for people under 55 (for new recipients)
- **Overnight Staffing:** Rates vary depending on whether overnight staffing is delivered via awake or asleep staff. This proposal will conduct a residential overnight staffing reform study to assess future reform.
- **County Share:** Adds a 5% county share for residential services in all provider-controlled settings.



Budget Book: Page 133

Fiscal Impact:  
(\$44.6M) in FY26/27  
(\$111M) in FY28/29

# Reduce Disability Waiver Growth: Day and Unit-based Services

Reduces disability waiver growth with strategies to mitigate rising expenditures. Components of this proposal include:

- **Individualized Home Supports with Training:** IHS with Training services provide support and/or training to people on a disability waiver who live in their own home. Services include skill-building and instructional services to acquire, retain and improve the person's experience living in the community. This proposal will limit this service to 8 hours per day.
- **Absence and Utilization Factor in Day Services:** This proposal will update this factor from 9.4% to 3.9% to align with data and the factor utilized in other DWRS rates.
- **Night Supervision:** Creates a new rate for night supervision when the service is provided by asleep overnight staffing, consistent with other DWRS services.



Budget Book: Page 136

Fiscal Impact:  
(\$160.1M) in FY26/27  
(\$482.3M) in FY28/29

## Reduce Disability Waiver Growth: Cap Inflationary Adjustments

Reduces disability waiver growth with strategies to mitigate rising expenditures. Components of this proposal include:

- **Cap inflationary adjustments:** Currently, rates determined through DWRS are updated every two years utilizing updated Bureau of Labor Statistics (BLS) data and the Consumer Price Index (CPI). This proposal limits this increase to 2% per adjustment.
- **Interactive Impacts:** The Governors budget includes multiple strategies that impact the cost of services. When done in conjunction with one another, the fiscal impact of the changes is different than if they were to be implemented in isolation. This proposal includes the aggregate cost of interactive effects across all disability waiver proposals in the Governor's budget package.



A photograph of an elderly woman from behind, walking on a paved path in a park. She is wearing a white quilted jacket, a white beret, and a purple patterned skirt. She is using a blue and black walker. The path is lined with trees that have yellow and green leaves, suggesting autumn. A blue semi-transparent banner is overlaid on the bottom half of the image.

# Nursing Facilities



Budget Book: Page 106

Fiscal Impact:  
(\$68.6M) in FY26/27  
(\$150.1M) in FY28/29

# Nursing Home Facility Payment System Changes

This proposal makes changes to the rates paid to nursing facilities to align with federal requirements and to mitigate rising expenditures. Components in this proposal include:

- Transition to the Patient Driven Payment Model (PDPM) case mix classification system: Due to federal requirements, utilizes the new PDPM system, rather than the current RUG-IV system, to align rates with acuity.
- Repeal automatic annual Alternative Payment System property rate inflation
- Phase out Planned Closure Rate Agreements and Single Bed Incentives and layaways
- Limit health insurance costs in rate setting
- Limit inflationary growth by setting a maximum of a 2% per year growth in operating rates.



Budget Book: Page 120

Fiscal Impact:  
\$6k in FY26/27  
\$15M in FY28/29

# Nursing Home Workforce Standards Board

Supports implementation of the proposed standards by the Nursing Home Workforce Standards Board.

- This proposal provides funding to effectuate the following wage floor standards for nursing home staff:
  - Effective 1/1/2026: Wage floors range from \$19 to \$27 per hour, depending on the type of staff.
  - Effective 1/1/2027: Wage floors range from \$20.50 to \$28.50 per hour, depending on the type of staff.
- This proposal also includes interactive impacts between this proposal and the proposal limiting inflationary growth in nursing home rates, via a rate add-on, ensuring standards are funded outside of the inflationary growth cap.



A hand is placing a wooden block with a plus sign on top of a pyramid of blocks. The pyramid is composed of several blocks with various medical and healthcare icons: a heart with an ECG line, a pill, a first aid kit, a person in a wheelchair, a syringe, a blood drop, a bandage, a stethoscope, and a pill bottle. A dark blue banner with white text is overlaid on the image.

# Other Human Services Proposals

# 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.



Budget Book: Page 139

Fiscal Impact:  
(\$698k) in FY26/27  
(\$698k) in FY28/29

## Grant and Administrative Reductions

Reduces grant funding and administrative expenses by eliminating two appropriations:

- Local Planning Grants: Local planning grants were created by the Minnesota Legislature in 2011. DHS received very few applications for local planning grants in recent years.
- Drug Effectiveness Review Project (DERP) contract: A multi-state collaborative that produces evidence-based research and best practices to assist states with development of drug coverage decisions. DHS contracts with DERP to develop cost-effective drug coverage policy.



Budget Book: Pages 88 & 117

Fiscal Impact:  
Budget Neutral

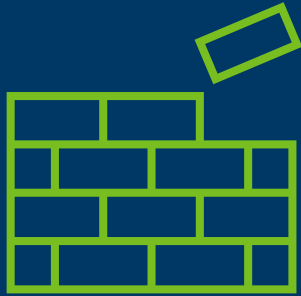
## Medicaid Disability Determination Enhancements

Authorizes the State Medical Review Team (SMRT) to access Electronic Health Records (EHR) from Minnesota medical providers and providers to accept electronically signed authorizations to release medical records. These streamlined processes will significantly reduce manual processing and paperwork, resulting in faster and more accurate medical reviews.

## Tribal VA/DD Targeted Case Management

Updates statutes to include Tribes as an allowable provider for targeted case management- vulnerable adult/developmental disabilities (TCM-VA/DD or VA/DD) and acknowledges their unique federal payment structure as different from county derived payment.





Budget Book: Pages 120 & 149

Fiscal Impact:  
Budget Neutral

## Technical Changes

Updates the accounting structure at the Department of Human Services to align with organizational changes in the department.

Also includes conforming changes related to updated MnChoices assessment timelines and technical changes to enable federal reimbursement for state-funded grants authorized for 1115 reentry waiver implementation.

## Transition to Direct Payments for Tribal Nations and Counties

Shifts funding for the Adult Mental Health Initiative and Traditional Healing programs from grant payments to direct payments for Tribal Nations and counties.

A photograph of two men in an indoor setting. On the left, an older man with a grey beard and glasses, wearing a dark suit, looks down with a concerned expression. On the right, a younger man with brown hair, wearing a green sweater, has his head buried in his hands, appearing distressed or crying. The older man's hand is resting on the younger man's shoulder. A dark blue horizontal bar is overlaid across the middle of the image, containing the text 'Direct Care & Treatment' in white.

# Direct Care & Treatment

# Summary of Direct Care & Treatment Package

| Proposal  | FY26/27       | FY28/29       |
|---|---------------|---------------|
| Operating Adjustment  | 69,977        | 90,482        |
| Inpatient Competency Examination Liability<br>and Data Sharing            | (16,760)      | (16,760)      |
| Increase County Cost of Care for<br>Minnesota Sex Offender Program (MSOP) | (39,600)      | (39,600)      |
| <b>Grand Total</b>  | <b>13,617</b> | <b>34,122</b> |



DCT Budget Book: Page 10

Fiscal Impact:  
\$70M in FY26/27  
\$90.7M in FY28/29

## Operating Adjustment

Direct Care & Treatment (DCT) is a large, highly specialized behavioral health care system that cares for more than 12,000 patients and clients each year. DCT fills a unique and vital role in Minnesota's behavioral health continuum of care by serving people that other behavioral health care systems cannot or will not serve.

The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, salary and compensation-related costs, rent and lease, fuel and utilities, and IT and legal services. This cost growth puts pressure on agency operating budgets that remain flat year to year.

This proposal ensures the State's ability to maintain the current level of services.

Fiscal Impact:  
(\$16.8M) in FY26/27  
(\$16.8M) in FY28/29

DCT Budget Book: Page 13

Fiscal Impact:  
(\$39.6M) in FY26/27  
(\$39.6M) in FY28/29

DCT Budget Book: Page 18

## Inpatient Competency Attainment Examination Liability and Data Sharing

Restores cost of care collections for clients admitted to DCT facilities under Chapter 611 orders and enables DCT to share data with county prosecutors, defense attorneys, and the court in its role as a competency attainment program.

## Increase County Cost of Care for Minnesota Sex Offender Program

Under current law, counties are responsible to pay the cost of care as following: 10% for people admitted prior to August 1, 2011 and 25% for people admitted on or after August 1, 2011 as well as for people while on provisional discharge.

The proposal changes the county liability to 40% of the cost of care for all MSOP clients admitted to the MSOP facility and on provisional discharge.

# Thank You!

For more information:

[FY 2026-2027 DHS Governor's Budget](#)

[FY 2026-2027 DCT Governor's Budget](#)

[DHS Legislative Information](#)