

A Proven Solution to Strengthen Minnesota's Hospitals and Expand Access to Care



Minnesota Hospital Association

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. More than 40 states have already implemented DPPs to strengthen their health care systems, ensuring hospitals receive fair and predictable payments for the care they provide to Medicaid patients.

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.

Minnesota's Nonprofit Hospitals Are Nearing a Breaking Point

Minnesota's non-profit hospitals care for everyone, regardless of income or insurance. But right now, the financial foundation of our health care system could crumble under the weight of chronic Medicaid underpayments.

- Medicaid rates are locked at 2019 costs, leaving hospitals to absorb five years of inflation without additional support.
- In 2023 40% of Minnesota hospitals operated at a loss.

The Result

Higher costs for Minnesota families and businesses, fewer services, and greater strain on an already stretched health care system.



The Solution

A Statewide Medicaid Directed Payment Program (DPP)

More than 40 states have already implemented a Directed Payment Program (DPP) to fix this funding shortfall—bringing back billions in federal dollars without increasing state spending.



A DPP allows the state to leverage federal Medicaid funds to increase hospital payments, stabilizing the system and protecting access to care.



DPPs are 100% federally approved and designed to work within Medicaid's managed care framework.



They do not require new state spending—hospitals contribute the state's share, which is matched by federal funds.



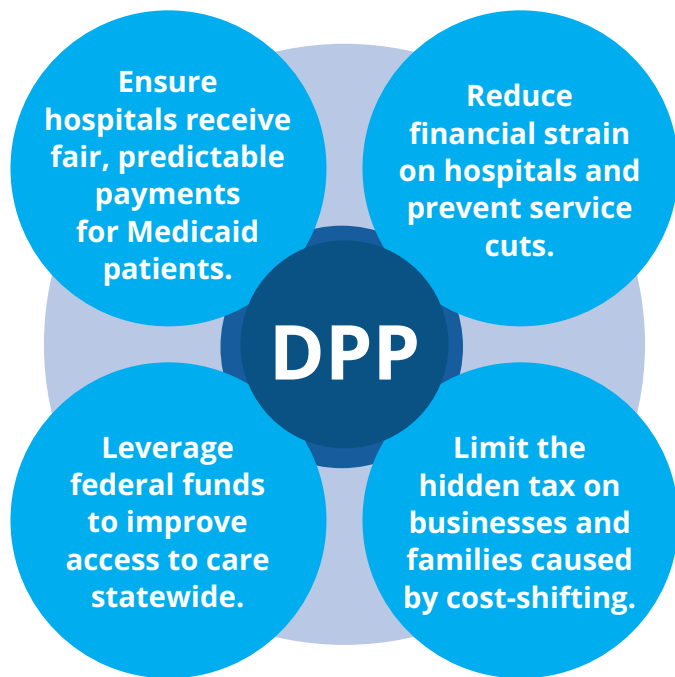
Hospitals receive higher payments for the care they provide - more closely aligned with commercial insurance rates instead of outdated Medicaid FFS rates.

This is not a theoretical fix—it's a proven solution that hospitals across the country are already using.

Why Minnesota Needs a DPP Now

Without action, hospitals will be forced to continue cutting services, delaying investments in innovation, and reducing care access for patients. This is particularly urgent for rural hospitals, safety-net providers, and essential services like trauma and maternity care.

By implementing a statewide DPP, Minnesota would:



How a DPP Works in Minnesota

A statewide DPP would allow Minnesota to capture and reinvest more than \$1 billion in additional federal Medicaid funding to support Minnesota's non-profit hospitals.

- Minnesota hospitals would contribute the state's share of funding, which the federal government then matches at a 62% rate—dramatically increasing total hospital payments.
- Hospitals would receive enhanced PMAP reimbursements, closing the gap between Medicaid rates and the true cost of care.
- The state must submit a formal DPP plan to CMS each year for approval to ensure compliance with federal regulations.



Next Steps

Bringing Federal Dollars Home

To implement a DPP for all hospitals, Minnesota must take legislative action to authorize the program and establish a sustainable funding structure for the state share.

- The Minnesota Legislature must pass enabling legislation in 2025.
- The Department of Human Services (DHS) would submit the program plan to CMS for approval.
- If approved, new payments could take effect within months.

The Bottom Line

Minnesota Can't Afford to Wait Any Longer

Hospitals are running out of time. Delaying action means more service cuts, more financial instability, and more hospitals forced to make impossible choices.

The Minnesota Legislature must act now to bring these federal dollars home and ensure our hospitals remain strong for generations to come.