MN HOUSE RESEARCH

Medicaid Long-Term Care Costs

July 2026

Under Medicaid, states can offer home- and community-based long-term care for people who would otherwise be institutionalized. This publication provides a short overview of Medicaid long-term care services and information related to Medical Assistance long-term care funding, expenditures, and recipients.

Medicaid Overview

Medicaid, or Medical Assistance (MA) as it is called in Minnesota, is a joint federal-state health care program that provides necessary medical services for low-income families, children, pregnant women, and people who are elderly (65 or older) or have disabilities.[1]

Medicaid home- and community-based waivers were established under section 1915(c) of the federal Social Security Act of 1981. The waivers were intended to correct a bias toward institutional care in the Medicaid program. They allow states to offer a broad range of home- and community-based services to people who may otherwise be institutionalized in facilities such as a nursing facility or intermediate care facility for persons with developmental disabilities or related conditions (ICF/DD).[2]

In 1999, the U.S. Supreme Court ruled in *Olmstead vs. L.C.* that states have an obligation to ensure that people with disabilities are not forced to remain institutionalized when a more integrated setting is appropriate and the affected people do not object to the community placement. The Court also indicated that states should have comprehensive, effective working plans for placing qualified people in less restrictive settings. This ruling prompted states, including Minnesota, to review their policies and practices and to determine whether they were most effectively supporting the relocation and diversion of people from institutional settings.

MA Long-Term Care Services Funding

The federal government pays a share of the cost of state MA expenditures. This is referred to as the federal medical assistance percentage (FMAP). Minnesota's usual federal match is about 50 percent. The state pays the remaining 50 percent for most services (some services have a county share, such as long-term placements in ICF/DD facilities with seven or more beds). In fiscal year 2026, the projected total expenditure for all long-term care services was $10.1 billion, with a state share of $4.9 billion.

[1] For more on the Medical Assistance program, see the House Research publication *Medical Assistance*.

[2] For more on the waiver programs, see the House Research publication *Medicaid Home- and Community-Based Waiver Programs*.

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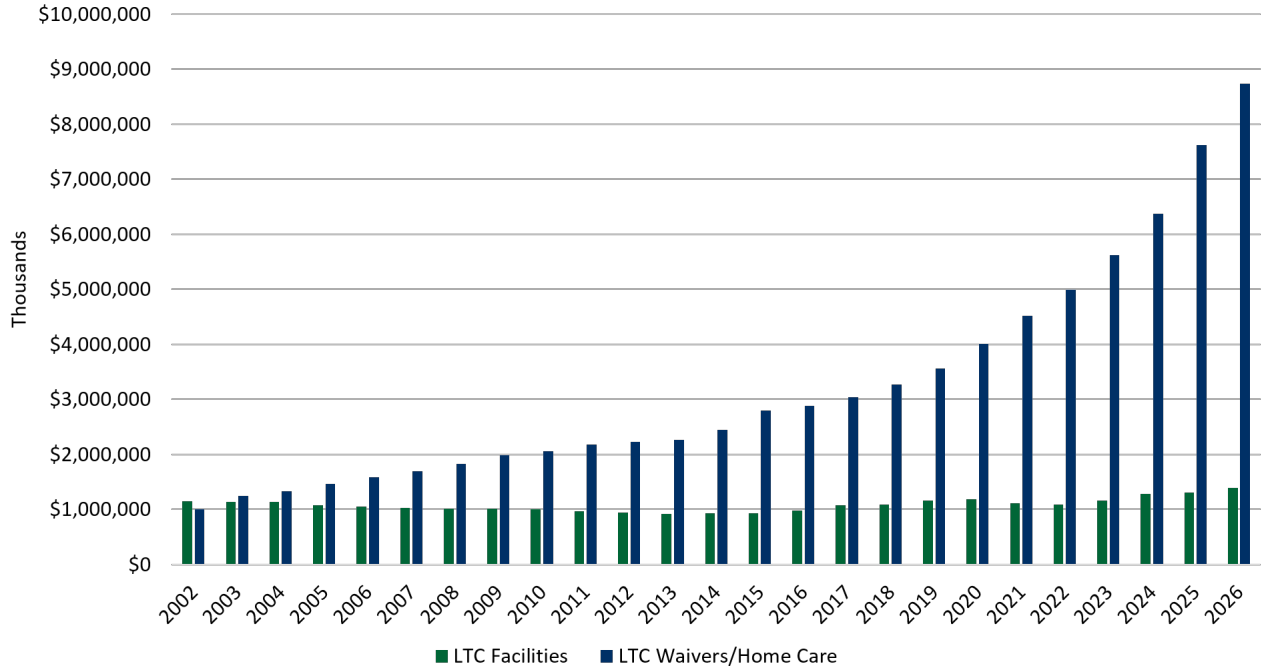
Long-Term Care Facilities Expenditures vs. Waivers and Home Care Expenditures

The average monthly payment per recipient for long-term care facilities (nursing facilities, county nursing facilities, ICF/DD facilities, and the State-Operated Services mental illness program) is estimated to be $9,690 in fiscal year 2026. This is higher than the estimated average monthly payment per recipient of $7,606 for MA home and community-based waiver and home care (BI, CAC, CADI, DD, and elderly waiver and home health agency services, personal care, and home care nursing services).

As shown in the graph below, the total expenditures for the long-term care facilities decreased for several fiscal years in the 2010s before increasing again, while total expenditures for long-term care waivers and home care have been increasing rapidly, and the average monthly payments for both types of services have increased over time. These expenditure changes are due to changes in participation rates between programs and a new nursing facility payment rate methodology that was implemented in fiscal year 2016.

Total Annual Payments for LTC Facilities vs. Waivers/Home Care

Fiscal Years 2002 to 2026



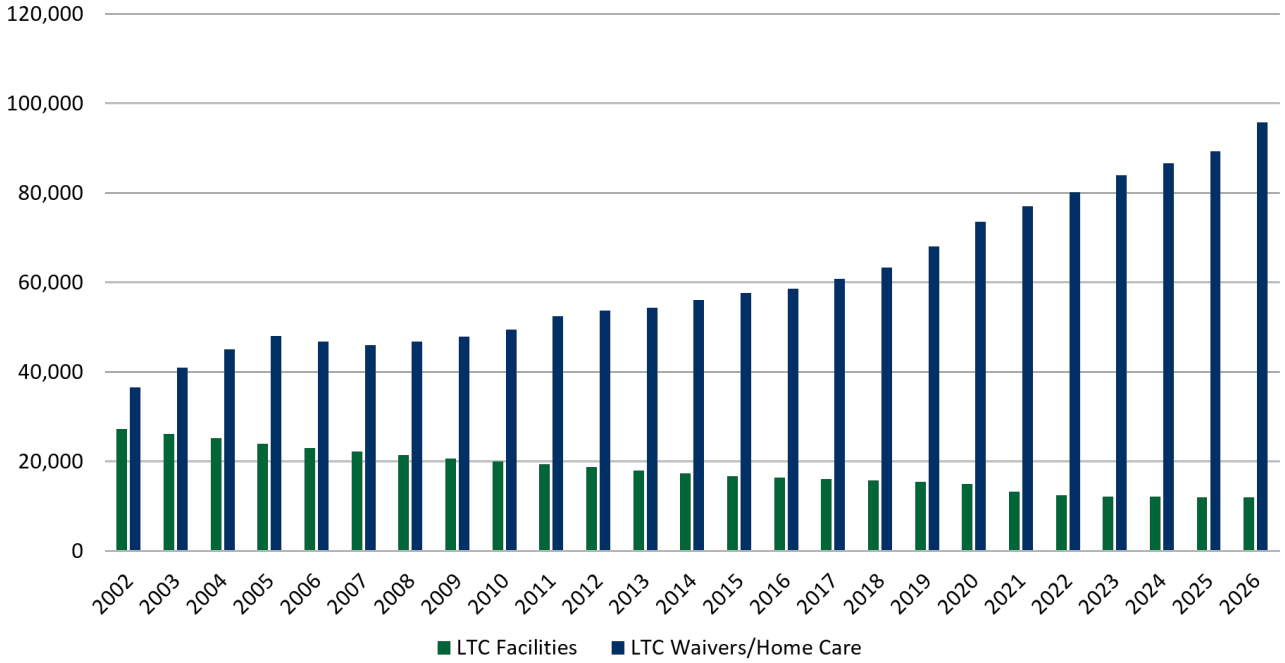
Source: February 2026 Department of Human Services Forecast of Revenues and Expenditures
Note: Fiscal year 2026 numbers are projected.

Number of MA Long-Term Care Services Recipients

In fiscal year 2026, the projected monthly average number of recipients for MA long-term care facilities and waiver/home care services was 107,703. As shown in the graph below, the average number of recipients each month has declined in MA long-term care facilities but increased for MA long-term care waivers and home care during the same time period.

Monthly Average Recipients for LTC Facilities vs. Waivers/Home Care

Fiscal Years 2002 to 2026



Source: February 2026 Department of Human Services Forecast of Revenues and Expenditures
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