

January 15, 2026

Hearing Summary

On January 15, 2026, the Subcommittee on the Federal Impact on Minnesotans and Economic Stability held a hearing on the topic of rural health care in Minnesota. The subcommittee specifically considered “Minnesota’s Rural Health Transformation Application and Statewide Status of Healthcare Accessibility” and “The Impact of Federal Actions on Minnesotans.” Discussion focused primarily on two impacts resulting from the passage of the 2025 federal reconciliation act (H.R. 1): 1) changes to public assistance programs, namely Medicaid, that will impact health care program funding in Minnesota; and 2) establishment of the Rural Health Transformation Program, which aims to provide federal funding to states to support health care in rural areas.

Representatives from the Minnesota Department of Health (MDH) and Minnesota Management and Budget (MMB) described expected impacts of H.R. 1 on rural health care in Minnesota. Representatives from the health care industry, including the Minnesota Hospital Association and a rural health care center, highlighted current conditions at rural hospitals and provided examples of rural hospitals’ plans to address anticipated funding changes resulting from H.R. 1. Several rural Minnesota residents shared with the subcommittee their personal experiences accessing health care and health insurance.

Minnesota’s Rural Health Transformation Program and Statewide Status of Healthcare Accessibility

The passage of H.R. 1 is anticipated to significantly alter federal funding allocated to health care in rural Minnesota. On one hand, MDH officials expect that changes to Medicaid, known as Medical Assistance in Minnesota, from H.R. 1 will place an exceptional strain on rural Minnesotans and rural health care providers because rural Minnesotans are more likely than metro-area Minnesotans to receive health care using public sources (e.g., Medicare, Medicaid, or MinnesotaCare). On the other hand, funding directed to rural health care providers through the Rural Health Transformation Program is anticipated to bolster rural health care by increasing access, strengthening the rural health care workforce, and modernizing rural facilities and technology. However, the subcommittee heard from representatives from the health care industry who stated that they do not expect the

funding from the Rural Health Transformation Program to offset the reduced funding from changes to Medicaid under H.R. 1.

Minnesota's Rural Health Transformation Program

Representatives from the MDH Office of Rural Health and Primary Care, which administers the Rural Health Transformation Program in the state, described Minnesota's proposed use of Rural Health Transformation Program funds. The state plans to allocate funding toward the following strategic initiatives:

1. Community-based preventative care and chronic disease management;
2. Recruit and retain talent in rural communities;
3. Sustain access to services to keep care closer to patients' homes;
4. Create regional care models to improve whole person health; and
5. Invest in technology, infrastructure, and collaboration for financial viability.¹

For the federal fiscal year 2026, Minnesota was awarded approximately \$193 million through the Rural Health Transformation Program to support its identified strategic initiatives. MDH will disseminate funds to rural hospitals, federally qualified health centers, certified community behavioral health clinics, community mental health centers, and Tribal Nations.² All funds must be spent on specified allowable activities to meet the stated strategic initiatives. Minnesota must demonstrate satisfactory progress toward meeting the stated strategic initiatives in order to continue to receive funding through fiscal year 2030.

Statewide Status of Healthcare Accessibility

Representatives from MDH described to the subcommittee several health care-related challenges facing rural Minnesota, including: a severe shortage of all medical provider types, especially in primary care and mental health; loss of health care service availability in obstetrics services and inpatient mental health, and an increased need for outpatient psychiatric services. The reduction of services available at rural hospitals and the closure of rural hospitals were also raised as factors limiting access to health care for rural Minnesotans. Additional health care concerns facing both rural and metro-area Minnesotans include that Minnesota's population of residents age 65 and older will more

¹ Minnesota Department of Health, *Rural Health Transformation Application Project Narrative*, available at: <https://www.health.state.mn.us/facilities/ruralhealth/ruraltrans/docs/rhtpnarrative.pdf>.

² *Id.*

than double from 2024 to 2075, and that a notable share of Minnesotans have chronic health conditions.

Federal Law Changes

Changes to Medicaid Under H.R. 1

The Minnesota Department of Human Services (DHS), which administers Medicaid in Minnesota as Medical Assistance, identifies a number of sections of H.R. 1 containing changes to Medicaid that are expected to result in reducing the number of Minnesotans eligible for health care coverage using Medical Assistance, including:

- Section 71107: Requires states to verify Medicaid eligibility (renewals) every six months, rather than every 12 months.
- Section 71109: Reduces the types of lawful immigration statuses eligible for Medicaid by amending the definition of “qualified alien” under Medicaid law.
- Section 71112: Limits retroactive coverage in Medicaid to: one month before the date of application for low-income adults without children, and two months before the date of application for all other Medicaid eligibility groups.
- Section 71119: Requires states to establish new “community engagement requirements” to require certain populations to be working, engaged in community or public service, participating in a work program, or educational program for 80 hours per month to receive coverage.³

DHS describes that more stringent eligibility requirements, more complicated enrollment procedures, and adding stricter limits on health care funding for providers will decrease Medical Assistance coverage in Minnesota.⁴ Representatives from the health care industry described to the subcommittee that decreased Medical Assistance coverage in Minnesota strains rural hospitals and other health care providers because it will likely result in higher levels of uncompensated care.

Rural Health Transformation Program Under H.R. 1

Section 71401 of H.R. 1 appropriates \$50 billion to the Centers for Medicare & Medicaid Services (CMS) to be distributed to states over five years to support delivery of health care

³ Minnesota Department of Human Services, *Summary of Medicaid provisions in the 2025 federal reconciliation bill*, available at: https://mn.gov/dhs/assets/summary-of-medicaid-provisions-in-the-2025-federal-reconciliation-bill_tcm1053-685438.pdf.

⁴ *Id.*

in rural areas. States were required to apply for the funding by submitting a detailed rural health transformation plan that specifies, among other requirements, how the state plans to improve access to hospitals and other health care facilities for rural residents and how to utilize emerging technology to address prevention and chronic disease management.

Federal Funds Summary

Changes to Medicaid Under H.R. 1 - Funding

Changes to Medicaid under H.R. 1 will begin taking effect in the fall of 2026. DHS estimates that as many as 140,000 Minnesotans will eventually lose health care coverage as a result of changes to Medicaid eligibility and requirements.⁵ While the specific funding impact on Minnesota resulting from changes to Medicaid under H.R. 1 are not known at this time, the agency estimates the impacts to be significant.⁶

Rural Health Transformation Program Under H.R. 1 - Funding

Rural Health Transformation Program funding is structured such that CMS will distribute \$10 billion of the \$50 billion total each fiscal year beginning in fiscal year 2026 and ending in fiscal year 2030. Half of the funds will be distributed equally among all 50 states, and half will be allocated by CMS based on a variety of factors, including but not limited to states' rural population and the proportion of rural health facilities in the state.⁷

In federal fiscal year 2026, Minnesota will receive \$193,090,618 under the Rural Health Transformation Program. MDH and MMB reported to the subcommittee that funding may not be used for intergovernmental transfers, public expenditures, or any other expenditure that finances non-federal Medicaid share. Additionally, agency officials reported that the Rural Health Transformation Program funds are not meant to offset reduced federal Medicaid funds.

⁵ *Id.*

⁶ *Id.*

⁷ Centers for Medicare & Medicaid Services, *Rural Health Transformation (RHT) Program*, available at: <https://www.cms.gov/priorities/rural-health-transformation-rht-program/overview>