MARRCH

Driving Excellence in Addiction Care

To: Chairs Schomacker; House Human Services Finance and Policy Committee

From: Brian Zirbes, MARRCH Executive Director

Subject: Public Testimony of the 2025 Governor's Budget

Date: January 22, 2025

MARRCH, the statewide trade association for Substance Use Disorder (SUD) programs and professionals, represents thousands of dedicated individuals and organizations committed to providing life-saving care to Minnesotans. Through education, training, advocacy, and public policy engagement, we support the critical work of our members and the countless lives they touch each year.

After reviewing the proposed 2025 Governor's budget, we recognize several thoughtful proposals, such as extending audio-only telehealth options and the effort to maintain a balanced budget for FY 28-29. However, we are deeply alarmed and disappointed that the budget fails to address the dire need for rate adjustments for SUD services, as recommended in the January 2024 Outpatient Services Rate Study

For over a decade, SUD providers have endured numerous rate studies, each shining a spotlight on the chronic underfunding of these essential services. The most recent study by Burnes & Associates offered a glimmer of hope, with data-backed recommendations reflecting the true cost of delivering care under the American Society of Addiction Medicine (ASAM) Levels of Care. Despite broad consensus on the accuracy of these findings and the urgent need for change, this budget overlooks the crisis.

The study revealed that 8 of the 9 SUD rates require increases, with the most critical—low-intensity residential care (ASAM 3.1)—needing a staggering 171.7% adjustment. **On average, a 68% rate increase is necessary across services to ensure that providers can continue delivering high-quality care.** Ignoring these recommendations perpetuates financial instability and risks further eroding an already strained system.

Furthermore, workforce challenges are compounding the crisis. Clinical services are strained, providers are overwhelmed, and the ripple effects are felt by families and communities across the state. Each day that passes without action deepens the crisis and places more lives at risk. Another year of inaction is not just a missed opportunity—it's a failure to meet the needs of thousands of Minnesotans who depend on these services.

We urge legislators to identify and prioritize funding to begin implementing the rate recommendations without delay. With a projected $355 million surplus in FY 28-29, there is a clear opportunity to invest in the sustainability of SUD programs—a critical lifeline for individuals, families, and communities. A study of California's substance abuse treatment programs found every dollar spent on drug and alcohol treatment saves the public seven dollars through reduced crime. When averted health care costs are included, the savings increase to $12 for each dollar invested. Taking a balanced approach to this investment is not just fiscally responsible; it is morally imperative.

SUD treatment saves lives, strengthens families, and rebuilds communities. By addressing the funding disparities and supporting the dedicated providers on the frontlines, Minnesota can reaffirm its commitment to the health and well-being of its citizens. We ask for your leadership and action to ensure that these life-saving programs are not just sustained but strengthened for the future.

Thank you for your time and consideration. We stand ready to assist and provide any further information to support these critical changes.

Minnesota First Provider Alliance

January 22, 2025

House Human Services Finance and Policy Committee

**RE: Governor Walz's Budget Recommendations**

Chair Schomacker and members of the House Human Services Finance and Policy Committee:

The Minnesota First Provider Alliance (the "Provider Alliance") is a trade association of personal care assistance (PCA)/Community First Services and Supports (CFSS) agencies and waiver service providers. The PCA/CFSS program is a critical service that assists over 47,000 Minnesotans in their home and community. We are writing to provide comments on the Governor's budget recommendations.

The Provider Alliance is supportive of the Governor's proposal to increase the enhanced PCA/CFSS rate from 7.5% to 12.5% as part of the ratification of the state's collective bargaining agreement with Service Employees International Union of Minnesota (SEIU). Minnesotans with the highest support needs often have a greater level of difficulty in recruiting and retaining staff. This has led to individuals having no choice but to relinquish their preferred choice of living in the community or even going without the care they need. Increasing the enhanced rate will ensure people with disabilities can pay higher wages to attract and retain staff and therefore maintaining their choice of living in their communities. In the same vein, the Provider Alliance supports the proposed modest CFSS rate and budget increase as well as the improved benefits and other investments in the CFSS workforce.

Simultaneously, the Provider Alliance is concerned that the proposed budget for the Minnesota Department of Human Services (DHS) does not appear to address, or even acknowledge, the chaotic and disjointed implementation of the PCA/CFSS program. Following nearly 12 years of engagement with DHS on issues related to the PCA/CFSS transition, the Provider Alliance is dismayed by what we have seen in the last four months. Between the stagnant enrollment of CFSS providers and consultation services providers, miscommunication with lead agencies about service authorizations and client choice, and countless other systemic and process issues, we are not sure how this could have been ignored. Our only hypothesis is that DHS believes it can address the ongoing problems without legislative involvement. While we hope that the problems are easily resolved, we believe that DHS' failure to collaborate with stakeholders, including this committee, is a large reason the transition has been so problematic.

Lastly, the Provider Alliance would like to note the program integrity initiatives in the DHS budget proposal. We have historically brought forward ideas for how to increase oversight of PCA agencies and have been frustrated by the reluctance of DHS to accept those suggestions. The Provider Alliance is looking forward to reviewing the legislative language behind these proposals as we adamantly believe that any increase in provider oversight needs to be coupled with meaningful due process and a focus on actual fraud versus imperfect compliance with program rules. We look forward to learning more about the proposal as session moves along.

Thank you for the opportunity to provide comments on Gov. Walz's budget recommendations. Please let us know if you have any questions or if we can be a resource in the budget process this session.

Sincerely,

Dena Belisle, President
Minnesota First Provider Alliance

# Minnesota Alliance of Rural Addiction Treatment Programs

January 22, 2025

Dear Chair Schomacker and members of the House Human Services Finance and Policy Committee,

The Minnesota Alliance of Rural Addiction Treatment Programs (MARATP) is a 501(c)(6) non-profit organization that seeks to bring together diverse rural interests to address and advocate for strong addiction treatment programs throughout Greater Minnesota. Formed in 2017, MARATP advocates for legislation and policies that strengthen the health and well-being of rural Minnesotans, and improve rural access to higher quality, lower cost health care. We are writing you today to provide our comments on Gov. Walz's budget recommendations and the impact on rural substance use disorder (SUD) treatment providers across the state.

First, MARATP would like to express our immense disappointment in the absence of SUD or broader behavioral health services rate increases while there are general fund dollars on the bottom line. While we understand the difficulties the November forecast presents for significant, ongoing investments in Medical Assistance (MA), it was disheartening to see billions of dollars left unappropriated. A recent rate study commissioned by the Department of Human Services (DHS) noted how significantly MA rates for SUD and mental health services fall below the cost of providing care. Inadequate funding, along with workforce shortages, leads to lower access to care for Minnesotans. This crisis is especially prevalent in rural Minnesota where resources are already much more limited. MARATP members are committed to serving those in need of services, but providers continue to struggle to meet the growing demand. Minnesotans, especially those in Greater Minnesota, need SUD and behavioral health services rate increases to be a priority of this committee.

Second, MARATP would like to express its support for the proposed change to the Housing Support program that would create better, more uniform access to state housing dollars for certified recovery residences. We all know the importance of stable housing to an individual's recovery and believe the ability for more providers to access Housing Support funds will simplify and disentangle the various workarounds that have become untenable from a regulatory compliance perspective. The ability for certified recovery residences to access Housing Support agreements directly from DHS is a significant step forward. This will not only ensure stable housing for those in recovery, and therefore more success in recovery, but it will separate an individual's ability to access housing from the time they may spend in a treatment program.

Lasty, we appreciate the attention DHS and Gov. Walz has paid to program integrity and fraud prevention in the proposed budget. MARATP is committed to ensuring that the limited resources available for SUD treatment are appropriately employed to the greatest extent possible. We do have questions, however, as to whether additional resources for investigators to operate under the same practices and authorities previously will improve program integrity and we want to make sure that as the Legislature considers providing DHS additional authority, it also ensures due process for providers. We look forward to the release of the bill language for such proposals and continued discussion throughout the legislative session.

Thank you in advance for your consideration and your support of the recovery community.

Sincerely,
Marti Paulson, President
Minnesota Alliance of Rural Addiction Treatment Programs

660 18th Street • PO BOX 116 • Granite Falls, MN 56241

*Minnesota Pharmacy Alliance*

# Patient Access to Minnesota Pharmacy Services in Peril

Minnesota pharmacy deserts & unsustainable pharmacy economics

**Situation:**

Minnesota residents and communities across the state are facing unprecedented challenges with patient access to critical health and medication services because of pharmacy closures. The current economic pharmacy model is unsustainable here in Minnesota and throughout the country. Pharmacies are closing and patients are facing more and more pharmacy deserts in their communities (see MDH study map below).

Pharmacies are at a tipping point. If there is not legislative reform that addresses reimbursement, many are in jeopardy of going out of business in 2025. These anticipated pharmacy closures are in addition to the 61% of Independently owned & 40% of chain pharmacies that have already closed since 2013 (details below).

The current community pharmacy business model isn't working. Below cost reimbursement being the primary driver of pharmacy economic instability. Reimbursement to pharmacies has been reduced by over 40% in the past decade from payers known as Pharmacy Benefit Managers (PBMs). This coupled with punitive PBM fees and claw backs, take it or leave it contract-agreements, PBM owned pharmacy steering and payer business practices that drive an opaque drug market in the US is driving pharmacies out of business in our urban and rural Minnesota communities. This is a ubiquitous problem for pharmacies either independently, regional chain or national chain owned. The only pharmacies that seem to be performing modestly well are Insurer/PBM owned.

Pharmacy deserts are growing in Minnesota and patient healthcare and medication services are being severely impacted. Urban neighborhoods in Minneapolis and St. Paul no longer have a pharmacy to access in their community. Rural Minnesota residents are forced to drive long distances to meet with their pharmacist and access pharmacy and medication services. Forcing residents to PBM owned mail-order pharmacies is not the answer. Pharmacies are pillars of our communities. The broken – unsustainable community pharmacy payer model must be changed. The good news is that the state of Minnesota can help, and by enacting reforms that keep pharmacies open, they can save taxpayers as well.

Some relief was enacted in 2024:

Including the MN Medical Assistance (MA) and MNSure-individual insured market patient populations, the State of Minnesota insures approximately 28% or 1.5 million Minnesota patients each year. In 2024 the Legislature did what it could to adequately pay for pharmacy services, including raising the Fee for Service (FFS) dispensing reimbursement and adding pharmacist health services to the statutory list of covered services for a patients insured by the State of Minnesota. However, FFS prescription claims only represent about 14% of the total claims reimbursed by MA for patient medications. Approximately 86% of MA claims are managed by PBMs/Managed Care Organizations (MCOs). The overwhelming majority of MA-MNSure prescriptions filled saw Minnesota pharmacies reimbursed for dispensing medications far below the pharmacy's cost to purchase and dispense them. In addition, because of the fiscal impact to MA, MA and MNSure populations were excluded from coverage for pharmacist provided health services legislation that was passed last year. These health services, such as testing services and vaccination administration, need to be covered for MA and MNSure insured patients.

Pharmacy reimbursement from MA PBMs is often pennies for dispensing a medication. Recall that the MA Cost of Dispensing Survey (CODS), using 2021 data from Minnesota pharmacies (4 yrs old), said that the mean cost for a pharmacy to dispense a medication was $11.55. That can be a $10+ negative delta for a pharmacy to work into their

business model. The non-FFS – MCO/PBM reimbursement math simply is not adding up for pharmacies across Minnesota. MCOs are reimbursing 40-60% of their pharmacy claims at less than the pharmacy's cost for purchasing the drug ingredient and dispensing the medication. Minnesota needs to reimburse pharmacy claims at cost plus a CODS driven dispensing fee, like several other states have put in place.

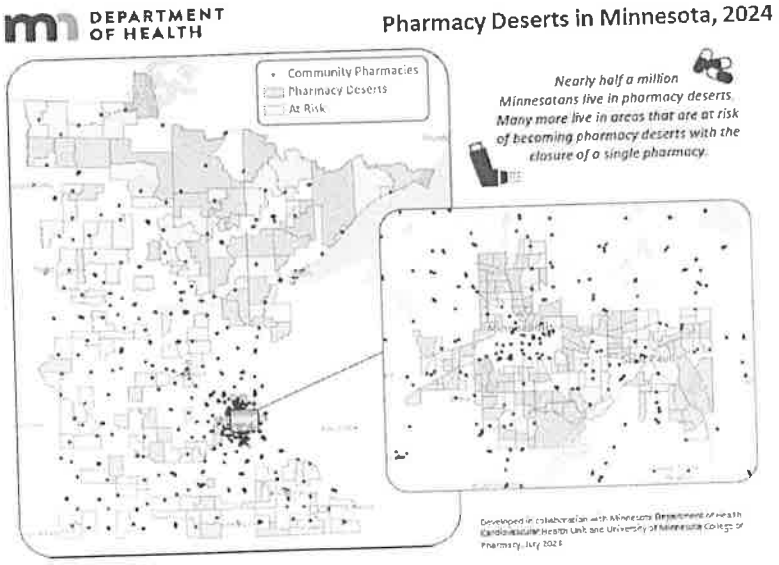
PBM policies, structures and their opaque payer formularies are not providing value for their plan sponsors and are raising drug costs for patients, increasingly limiting access to critical health services in communities both urban and rural and creating pharmacy deserts across Minnesota. The Federal Trade Commission and the US House Health Subcommittee issued reports this past summer and held hearings to expose these middleman profiteers. We encourage you to view the hearing and read the report linked below.

Governor Walz proposed 2025 budget & other recommendations:

The good news is there are alternative options for pharmacy benefit management in the MA program, millions to save and at the same time ensure sustainable pharmacy reimbursement. States like WV, CA, and NY have moved away from managed care/PBMs for Medicaid and ACA drug benefits, as proposed in the Governor's 2025 budget. OH and WV have further reformed their Medicaid drug benefit by implementing a Single Pharmacy Benefit Manager (SPBM), saving millions and ensuring sustainable pharmacy reimbursement.

We look forward to working with the Minnesota House and Senate Commerce Committee members as well as Governor Walz and the Department during the 2025 Legislative Session and budgeting process. We urge the Committee to hear and enact a short and long term legislative package to stem the tide of community pharmacy closures happening across Minnesota, rein in PBMs and save the taxpayers of Minnesota by reforming Medicaid-MA in Minnesota.

Articles & resources:




**MBOP Statistics- 2018-2024**

| | | December 1st, 2024 | | | | | |
|---|---|---|---|---|---|---|---|
| **Total Change** | Independent | -66 | -153 | -230 | | -230 | -61% |
| | Chain | -157 | -98 | -276 | | -276 | -39% |
| | Total | | | | -474 | -474 | -44% |

- **61%** of all Minnesota indepently owned pharmacies have disappeared/closed their doors since 2018
- **39%** of all chain pharmacies in Minnesota have disappeared/closed their doors since 2018
- **44% of all pharmacies in Minnesota have closed since 2018**

**July 23rd, 2024 – US House Committee on Oversight:**
Hearing Wrap Up: Oversight Committee Exposes How PBMs Undermine Patient Health and Increase Drug Costs
https://oversight.house.gov/release/hearing-wrap-up-oversight-committee-exposes-how-pbms-undermine-patient-health-and-increase-drug-costs/

**Dec. 18th, 2025 - Healthcare insurance companies blamed for 'pharmacy deserts' in Minnesota**
https://www.fox9.com/news/healthcare-insurance-companies-blamed-pharmacy-deserts-minnesota

**Jan. 8th, 2025 - Bipartisan lawmakers introduce Save Local Pharmacies Act - VA**
https://virginiamercury.com/briefs/bipartisan-lawmakers-introduce-save-local-pharmacies-act/

**Federal Trade Commission reports - Pharmacy Benefit Managers:**
1) The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies
https://www.ftc.gov/reports/pharmacy-benefit-managers-report
2) Second Interim Staff Report on Prescription Drug Middlemen: Report finds PBMs charge significant markups for cancer, HIV, and other critical specialty generic drugs
https://www.ftc.gov/reports/specialty-generic-drugs-growing-profit-center-vertically-integrated-pharmacy-benefit-managers

**Nov. 13th, 2024 - More MN's face "pharmacy deserts" with chain drug store closures, that ran in the StarTribune today. As Walgreens, CVS get ready to close more stores, many independent pharmacies say they are operating at a loss:**
https://www.startribune.com/pharmacies-closing-pharmacy-deserts-growing-health-care-access-walgreens-cvs/601173628

**Map of MN Zip Codes with No Pharmacy** - July 2024
Interactive Link:

MID-MINNESOTA LEGAL AID
Minnesota Disability Law Center

January 22, 2025

Dear Members of the Minnesota Human Services Finance and Policy Committee:

Legal Aid and the Minnesota Disability Law Center (MDLC) thank you for the opportunity to provide written testimony regarding the Governor's budget. We understand the need to balance the budget and appreciate the herculean task you are presented with. However, this should not be done by compromising the lives and wellbeing of Minnesota's most vulnerable citizens.

The Governor is proposing cuts to special education transportation services, rate reductions and inflationary caps in the Disability Waiver Rate System, reducing disability waiver growth, major changes to Individualized Home Support, and reductions in nighttime caregiver rates.

The cuts threaten to do harm to Minnesotans with disabilities by taking away needed services. The cuts limit waiver services such as individualized home supports and cap the number of allowable days of care, which will likely force people with disabilities to go without services. These budget cuts and inflationary caps threaten to further exacerbate the staffing shortages that already exist. Cutting these vital services will negatively impact on other parts of our healthcare system, including placing additional strain on our already overtaxed hospitals and emergency rooms.

Thank you for the opportunity to submit written testimony on the Governor's budget. As Senator Abeler stated this week, the Governor should "submit a budget that doesn't harm those most at risk." We urge this committee to reject these cuts and ensure that Minnesotans with disabilities do not see a rollback of services and living conditions.

Sincerely,

Jennifer Purrington
Legal Director/Deputy Director
Minnesota Disability Law Center

Ellen Smart
Staff Attorney
Mid-Minnesota Legal Aid

This document has been formatted for accessibility. Please call Ellen Smart at 612/746-3761 if you need this document in an alternative format.