

April 28, 2025

RE: Letter of Support for MA rate increase to 100% of Medicare in SF2669

Dear Chair Marty and Members of the Committee,

As consumer advocates representing diverse communities across the state, we are deeply invested in improving healthcare access and affordability for Minnesotans, and are writing in support of several measures in the health omnibus that raise revenue to stabilize access to healthcare.

Thank you for including the increase to MA professional service rates to 100% of Medicare, paid for with an assessment on HMOs (SF1402). The professional service rates specifically have been frozen in Minnesota for nearly 20 years, leading to a patchwork of complicated rate structures riddled with inequities. The impacts on maternity care, behavioral and mental health care, preventative care and more are significant.

Increasing Medicaid reimbursement rates for professional services is a necessary step toward ensuring that all residents, particularly low-income individuals and families, can obtain the care they need without facing undue barriers. When healthcare providers choose to limit their participation in Medicaid due to financial concerns, the result can be reduced access, and delays in necessary care.

Improved professional services reimbursement rates will have several tangible benefits, including expanded access to care across a wide range of clinics, provider types and outpatient settings; reducing health disparities in access to providers; and preventing unnecessary and costly hospital emergency care.

Importantly, doing this through an assessment on HMOs allows Minnesota to increase federal support for Medical Assistance, closing a long time gap between Minnesota's level of federal contribution and that of other states, without threatening state resources to maintain eligibility.

While the professional services rate increase would help all providers serving Medicaid, we also support in concept a similar state directed payment (SDP) mechanism that would provide an additional increase just for hospitals, paid for through a hospital assessment, however we have certain concerns about the current hospital SDP proposal. As written the hospital SDP proposal would allow hospitals to be paid up to commercial rates for Medical Assistance. [1]

There are strong signals that the Trump administration will not approve SDPs this high going forward, whereas current rules almost guarantee approval for SDP proposals up to 100% Medicare, so we are concerned about losing the opportunity to do so much good for rural, independent and critical access hospitals, in pursuit of levels of funding that may not be achievable, sustainable or necessary for MA. [2]

We are also concerned that the bill proposes that MHA be the sole contributor to determining quality improvement metrics tied to the increased funding. [3] We would request that other metrics, such as a reduction in readmissions, be added to the three currently specified in the bill, as well as protections to ensure improved screening rate metrics don't create an adverse incentive to avoid serving populations with health disparities, and that worker organizations and consumer advocates be included in determining the "quality measures performance evaluation criteria and methodology."

Excessive commercial charges are a significant problem in our healthcare system. Studies show charges vary drastically and erratically for the same services. Recent data shows 17 Minnesota hospitals (about one eighth of MN hospitals) operated without a profit margin, while at the same time more than 20 Minnesota hospitals had net profits of \$10 million or more, and one over one billion. While Medicaid rates should be fair and sustainable, efforts should also be made to ensure that providers charge reasonable, transparent rates to all patients and payers, and that we build toward an actual healthcare system that prioritizes people over profit.

Sincerely,

ISAIAH

Minnesota Farmers Union

SEIU Healthcare MN & IA

Unidos MN



[1] 209.17-.25 of SF2669 a6 DE

[2] <https://www.federalregister.gov/documents/2024/05/10/2024-08085/medicaid-program-medicare-and-childrens-health-insurance-program-chip-managed-care-access-finance>

[3] p. 212 of SF2669 a6