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February 18, 2025

Chair Melissa Wiklund
Senate Health and Human Services Committee
St. Paul, MN 55155

Dear Chair Wiklund and committee members:

On behalf of Minnesota Farmers Union (MFU), I am writing to share our support for Senator Oumou Verbeten's SF1503, which would prohibit hospitals and health systems from charging facility fees for nonemergency services at provider-based clinics in Minnesota. This legislation is a key step in addressing the high cost of healthcare and the accelerating consolidation of the industry.

MFU is a grassroots organization that has represented Minnesota's family farmers, ranchers and rural communities since 1918. At our annual convention in November, members voted to make Ensuring Affordable and Accessible Care a key priority. Addressing the accelerating consolidation of our healthcare system is critical to meeting this goal as a wide body of research has established that provider consolidation drives up the price of healthcare.

According to the Minnesota Department of Health (MDH) many parts of rural Minnesota meet the criteria for being considered a highly concentrated hospital market.ⁱ In 1997, independent hospitals accounted for 68% of Minnesota's hospitals but today represent just 28%. This consolidation has profound impacts on farmers and rural Minnesota.

A 2019 study in Health Affairs found that highly concentrated hospital markets lead to higher health insurance costs on the individual market, which disproportionately impacts independent business owners like family farmers.ⁱⁱ In addition to increased costs, consolidation has reduced services in rural communities with nearly 50 fewer hospitals in Minnesota offering birthing services today compared to two decades ago.ⁱⁱⁱ

As a study by the Public Interest Research Group stated, "The most likely reason patients are getting a facility fee is because of consolidation."^{iv}

Facility fees are meant to cover the operational expenses of running a hospital such as equipment and upkeep of a facility. However, these fees are being tacked onto outpatient visits, including those that take place in buildings outside the main campus of a hospital, sometimes hundreds of miles away. In Minnesota, outpatient facility fees accounted for over 25% of per person healthcare spending between 2018 and 2022 according to MDH data.^v

These facility fees create a powerful incentive for health systems to acquire physician practices, clinics and surgery centers. Facility fees allow consolidated health systems to charge more for identical outpatient services one could receive from an independent physician. Patients with commercial health insurance, on average, pay 45% more for services in hospital outpatient departments due to facility fees relative to the same services provided in physician offices.^{vi} Of the increased prices associated with physician-hospital integration and consolidation, a quarter of the

increase is attributable to facility fees according to one estimate.^{vii} Given this, it is not surprising that only around one-fifth of Minnesota doctors are now independent.^{viii}

This committee has played an important role in crafting recent reforms that help address Minnesota's highly consolidated healthcare system and SF1503 will add to that work. Prohibiting outpatient facility fees by hospitals and health systems will not only remove an incentive driving provider consolidation, but it will also address a significant driver of high healthcare costs. I urge this committee to act on this important reform and thank Senator Oumou Verbeten for authoring this legislation.

MFU looks forward to working with this committee on this issue. If you have any questions, please contact our Antimonopoly Director, Justin Stofferahn, at justin@mfu.org or (612) 594-1252 (C). Thank you for considering the needs and perspectives of Minnesota's farm families.

Sincerely,

A handwritten signature in black ink that reads "Gary Wertish". The signature is fluid and cursive, with "Gary" on the top line and "Wertish" on the bottom line.

Gary Wertish
President, Minnesota Farmers Union

ⁱ <https://www.health.state.mn.us/facilities/ruralhealth/docs/summaries/rhcmn.pdf>

ⁱⁱ <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2018.05491>

ⁱⁱⁱ <https://minnesotareformer.com/2024/01/25/giving-birth-in-rural-minnesota-be-prepared-for-a-long-drive/>

^{iv} <https://pirlg.org/edfund/resources/outpatient-outrage-hospitals-charge-fees-for-care-at-the-doctors-office/>

^v <https://www.health.state.mn.us/data/economics/docs/spndrpt2024.pdf>

^{vi} <https://nashp.org/state-policies-to-address-vertical-consolidation-in-health-care/#toggle-id-5>

^{vii} <https://pubmed.ncbi.nlm.nih.gov/29727744/>

^{viii} <https://www.aafp.org/pubs/fpm/issues/2015/0700/p11.html>