



March 18, 2025
Senate Health and Human Services Committee

Dear Chair Wiklund and Committee Members,

On behalf of Children's Minnesota, I am writing in support of SF2413 which would initiate the process for establishing a hospital Medicaid Directed Payments Program in Minnesota.

Children's Minnesota is the state's largest pediatric healthcare system, seeing more than 160,000 kids annually. As an organization we recently celebrated our centennial year and are proud to say that we have spent more than a century working to provide high quality health care to every child that needs it, regardless of their ability to pay.

Nearly 50 percent of the services we provide are to children and families that rely on Medical Assistance (MA) which reimburses at rates substantially below the cost of providing care. In the document included with this letter you will see that in 2023 we had more than \$175M in unreimbursed costs from MA. That loss has continued to increase from year to year as costs for salaries and benefits, supplies, and pharmaceuticals continue to increase faster than our reimbursement from the state. The mounting gap between the cost to provide care and what MA pays for that care threatens our ability to maintain access to those vital services for Minnesota kids and families.

Forty states have established Directed Payments Programs to offset a significant portion of these Medicaid losses to support the stability of their hospital systems. When I speak to my colleagues at pediatric institutions in these states, they are often shocked to learn that Minnesota hasn't yet established a Directed Payments Program because they cannot imagine facing the current financial challenges without the support these programs offer. These challenges impact children's hospitals uniquely because of our role as a safety net provider and the specialty care we provide. Children's Minnesota has the largest and broadest team of pediatric experts in the region offering more than 60 pediatric specialties. Our neonatal team of more than 500 doctors, surgeons and pediatric specialists is the largest in the state and one of the largest in the country. We are a leading provider of pediatric cardiology services and have the largest pediatric cancer and blood disorders program in the upper Midwest. It is nearly impossible to continue to sustainably provide these services through current Medicaid funding mechanisms.

The children of Minnesota are the future of Minnesota. That future depends on a health care system that works for everyone and, currently, that future is at risk. There is no single solution that can address all the challenges we are facing, but establishing a Directed Payments Program is a critical step to ensuring that Children's Minnesota will continue to be here for families for the next 100 years and beyond.

Sincerely,

Marc Gorelick, MD
President and Chief Executive Officer
Children's Minnesota

Serving approximately
162,000 patients a year, we've
treated just about everything.

120,522

VISITS INTERPRETED
IN 72 LANGUAGES

MINNESOTA'S ONLY
**LEVEL I PEDIATRIC
TRAUMA CENTER**
IN A HOSPITAL DEDICATED
SOLEY TO KIDS

WE CARE FOR KIDS FROM
**EVERY COUNTY
IN MINNESOTA**
AND NEARLY
60% OF COUNTIES
IN SURROUNDING STATES



MORE THAN

470

PEDIATRIC PRIMARY AND
SPECIALTY CARE RESIDENTS/
FELLOWS TRAINED

49%

SERVICES PROVIDED TO PATIENTS
WHO RELY ON MEDICAL ASSISTANCE

\$178.5M

LOST IN 2023 MEDICAID
UNDER-REIMBURSEMENT

85,200+

EMERGENCY DEPARTMENT
VISITS