



February 19, 2025

Submitted Electronically

Chair Hoffman and members of the Senate Human Services Committee,

We are writing to you today on behalf of the Minnesota Hospital Association (MHA) regarding the recently released Governor's Human Services Budget proposal.

MHA opposes the Pharmacy Carve-Out (HC-91) and its unnecessary negative impacts to the Federal 340B Drug Pricing Program. Although we support making improvements to the operations of Pharmacy Benefit Managers (PBMs) used by Minnesota's managed care organizations (MCO), this budget proposal triggers a federal rule that would unnecessarily and negatively impact disproportionate share and children's hospitals, critical access hospitals, federally qualified health centers, Ryan White HIV clinics, family planning clinics, and other critical safety-net providers across Minnesota. These safety net providers would collectively lose roughly \$86M+ in annual savings on outpatient drugs from the Federal 340B Drug Pricing Program (340B) that are used today to help provide access to health care and community support services across Minnesota.

The federal government created 340B to help offset Medicaid underpayments, reduce exorbitant prices from pharmaceutical companies, and stretch scarce federal resources to support more patients. The program requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at significantly discounted prices to specific safety net health care providers that serve many uninsured and low-income patients. The proposed exclusion of the Medical Assistance (MA) outpatient prescription drug benefit from MCOs and moving it to fee-for-service (FFS) will mean a significant loss of funding for 340B hospitals and other safety net providers.

While this proposal increases the state's ability to get Medicaid rebate revenue, it is at the greater expense of safety net providers and offers no clarity or transparency on how the Department of Human Services (DHS) would better serve patient care needs. Further, transparency does not currently exist for the hundreds of millions of dollars in Medicaid drug rebate revenue that DHS receives annually. However, information from recent MA rate studies clearly shows that MA reimbursement rates chronically lag below actual costs and do not adequately support patient care – this is one of the reasons why 340B is crucial in Minnesota.

Lastly, the negative impacts to safety net providers that will result from this proposal are not necessary. States such as Kentucky and Ohio have implemented single PBM models in their Medicaid programs that remain in managed care, control and limit negative PBM practices, optimizes 340B, and does not negatively harm patient access to care. We urge the legislature to pursue the models that Kentucky and Ohio have implemented.

MHA supports Extending Access to Audio-only Telehealth (HC-54). Medical Assistance (MA) coverage for audio-only telehealth services has been invaluable in expanding access to critical health care services and helping mitigate the provider workforce shortage. A [study released by the](#)

[Minnesota Department of Health \(MDH\) in September 2024](#) found that telehealth expanded access to patient care without increasing health care spending.

Specifically, MDH outlines how audio-only telehealth is an important tool to increase availability of equitable care to patients with behavioral health and chronic care conditions and individuals with limited broadband access. According to the [Minnesota Office of Broadband Development](#), only 78% of non-metro households have access to adequate broadband services to accommodate audio-visual telehealth. In addition, many hospitals and health systems in both rural and urban areas rely on audio-only telehealth services to provide ongoing care coordination services, which helps prevent health complications and more costly care.

Lastly, the MDH report explicitly recommends audio-only telehealth to be included in the definition of telehealth in Minnesota statute and therefore be subject to payment parity and coverage requirements. MHA encourages the legislature to support the Governor's proposal to preserve patient access to telehealth services in all geographic areas of the state by extending patient access to audio-only telehealth services.

Thank you for your consideration for our comments.

Sincerely,



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