SENATE COUNSEL, RESEARCH, & FISCAL ANALYSIS

BILL SUMMARY

S.F. No. 1402 (as amended by the A-1 Amendment) – Medical assistance rate adjustments establishment for physician and professional services

Author: Senator Melissa H. Wiklund

Prepared by: Nolan Hudalla, Senate Counsel (nolan.hudalla@mnsenate.gov)

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Bill Overview

S.F. 1402, as amended, modifies payment rates under Minnesota's medical assistance program for physician and professional services, hospital inpatient services, obstetric and gynecologic services, behavioral health services, and primary care services. Notably, the bill:

- Adjusts hospital payment rates for inpatient behavioral health services;
- Increases minimum payments for physician and professional services to at least 100 percent of the Medicare Physician Fee Schedule;
- Creates a single statewide reimbursement rate for behavioral health home services; and
- Repeals Minnesota Statutes, section 256B.0625, subdivision 38, relating to different payments for mental health services provided by certain professionals with varying education levels.

The bill further imposes an assessment on health plan companies in the state, based on the number of medical assistance and non-medical assistance enrollees in the companies' health plans. Revenue collected from the assessment is deposited in the health care access fund and used as supplemental nonfederal funds for the medical assistance program.

Section Summaries

Section 1 (amends Minn. Stat. § 256.969, subd. 2b; Hospital payment rates) This section modifies hospital payment rates such that, effective January 1, 2028, medical assistance and managed care organizations increase payment rates for inpatient behavioral health services provided by hospitals paid under the diagnosis-related group (DRG) methodology.

Section 2 (amends Minn. Stat. § 256B.0757, subd. 5; Payments) This section makes a conforming change to remove behavioral health home services from the requirements of subdivision 5, to align with the new language relating to behavioral health home services in Subdivision 5a provided in Section 3 of the bill.

Section 3 (adds Minn. Stat. § 256B.0757, subd. 5a; Payments for behavioral health home services) This section establishes a single statewide reimbursement rate for behavioral health home services, effective January 1, 2028, or upon federal approval, whichever is later. The rate must be no less than $425 per member, per month, and is adjusted annually by the Medicare Economic Index. The Department of Human Services (DHS) must also review and update the rate at least every four years.

Section 4 (adds Minn. Stat. § 256B.757; Reimbursement Rates for Obstetric and Gynecologic Services) This section creates a new section in Minnesota's medical assistance chapter governing reimbursement rates for obstetric and gynecologic services.

Subd. 1. Obstetric and gynecologic minimum rate. This subdivision requires rates for obstetric and gynecologic services reimbursed under the resource-based relative value scale to be at least equal to 100 percent of the corresponding rates in the Medicare Physician Fee Schedule, effective January 1, 2026 (or upon federal approval).

Subd. 2. Capitation payments. This subdivision directs DHS to increase managed care and county-based purchasing plan capitation payments to reflect the minimum rate requirement under subdivision 1, with a requirement that plans pass these increases on to providers.

Subd. 3. Medicare physician fee schedule. This subdivision specifies that the applicable Medicare Physician Fee Schedule is the most recent schedule in effect at the time the service is rendered.

Section 5 (amends Minn. Stat. § 256B.76, subd. 1; Physician and professional services reimbursement) This section eliminates obsolete ratable reductions to conform with the updated payment rates for physician and professional services governed by the changes in section 6 of the bill (relating to setting rates equal to 100 percent of the Medicare Physician Fee Schedule). Implementation is contingent upon federal approval.

Section 6 (amends Minn. Stat. § 256B.76, subd. 6; Medicare relative value units) This section transitions all reimbursement rates for physician and professional services to at least 100 percent of the corresponding rates in the Medicare Physician Fee Schedule, effective January 1, 2026 (or upon federal approval). It also instructs DHS to increase managed care plan capitation payments to reflect these rate increases.

Section 7 (amends Minn. Stat. § 256B.761; Reimbursement for Mental Health Services) This section increases reimbursement rates for mental health services currently reimbursed under the resource-based relative value scale, as well as reimbursement rates for other behavioral health services. Specifically, it requires, effective January 1, 2026 (or upon federal approval), that the RBRVS-based rates for mental health services be at least 100 percent of the Medicare Physician Fee Schedule. It also requires appropriate adjustments to managed care capitation rates and directs plans to pass those increases on to providers. The section further requires DHS to align HCPCS H, T, and S codes and children's therapeutic supports and services with the Medicare Physician Fee Schedule rates.

Section 8 (adds Minn. Stat. § 256B.7662; Reimbursement Rates for Primary Care Services) This section creates a new section establishing reimbursement rates for primary care services at no less than 100 percent of the Medicare Physician Fee Schedule, effective January 1, 2026 (or upon federal approval).

Subd. 1. Primary care minimum rate. This subdivision requires reimbursement rates equal to at least 100 percent of the Medicare Physician Fee Schedule for primary care services.

Subd. 2. Capitation payments. This subdivision requires DHS to increase managed care plan capitation payments to reflect the higher primary care service rates. Plans must pass the increase on to providers.

Subd. 3. Medicare physician fee schedule. This subdivision defines the applicable Medicare Physician Fee Schedule as the most recent Fee Schedule Final Rule issued by CMS at the time the service was rendered.

Section 9 (adds Minn. Stat. § 295.525; MCO Assessment on Health Plan Companies)

Subd. 1. Definitions. This subdivision defines key terms including "base year," "enrollee," "health plan," and "plan-to-plan enrollee" for purposes of the new section of law being added.

Subd. 2. MCO assessment. This subdivision imposes an annual assessment on health plan companies for calendar years 2026 to 2029. This assessment constitutes a "health care-related tax" for purposes of federal regulations, which regulations impose specific requirements for such taxes if the state imposing the taxes wants to use the funds as state funds for medical assistance that will be "matched" by the federal government. Among the federal regulations is a ratio of how such assessments must be imposed on MA enrollees as compared to non-MA enrollees. This ratio provides the basis for the assessment's calculation, as detailed in paragraphs (b) and (c) of this subdivision. That subdivision provides for different assessment amounts based on the number of enrollees in a specific health plan, and on MA enrollees in the plan as well as non-MA enrollees in the plan. This subdivision further imposes a penalty on unpaid assessment amounts.

Subd. 3. Assessment computation; collection. This subdivision describes the process under which the commissioner of human services will obtain necessary information to calculate the assessment amounts and perform the calculation. This subdivision further provides that the commissioner must collect the assessment in four equal installments, and authorizes the commissioner to waive penalties for past due assessment payments under certain circumstances.

Subd. 4. MCO assessment expenditures. This subdivision requires all revenue from the MCO assessment to be deposited in the health care access fund and be used exclusively to provide nonfederal funds for medical assistance. The subdivision also requires the commissioner to report annually to all health plan companies. The report must identify the assessment amounts and account for expenditures from the health care access fund.

Subd. 5. Expiration. This subdivision states that the section on MCO assessments expires on June 30, 2030.

Section 10 (uncodified; Federal Approval; Waivers) This section directs the commissioner of human services to request, as necessary, federal approval for the MCO assessment. This direction includes express authorization to seek a waiver of the federal broad-based and uniformity requirements for health care-related taxes.

Section 11 (Repealer) This section repeals Minnesota Statutes, section 256B.0625, subdivision 38, which specifies different payment percentages for certain mental health services delivered by masters-

prepared mental health professionals and physician assistants. This repeal is effective January 1, 2027 (or upon federal approval).