

SAVE ACCESS TO CARE:

MA Access and
Financing Reform



MINNESOTA
MEDICAL
ASSOCIATION

Problems

Minnesotans on Medical Assistance (MA) deserve the same access to care as their peers, but unsustainably low payment rates threaten that access. A 2024 study by the Department of Human Services (DHS) has concluded that:¹

1) Payments Are Too Low. According to the best available data from the Minnesota Department of Human Services (DHS), MA pays professionals about 70 cents on the dollar compared to Medicare and about 30 cents on the dollar compared to commercial health plans for most outpatient services. Compared to the payment level of other states' Medicaid programs, Minnesota's ranks 30th.² These payments have not been comprehensively increased for over 20 years. Meanwhile, the percentage of Minnesotans on MA has doubled from 12% to 24% since 2011, with particularly high enrollment rates in rural counties. The compounding effects of low MA payments, rising medical practice cost inflation, and growing enrollment threaten clinic viability and patient access to needed services.

2) The Payment Methodology is Too Complex and Not Transparent. MA pays for professional outpatient services by applying a conversion factor (CF), a dollar multiplier, to the Medicare relative value units (RVUs) associated with each billed service. Unlike Medicare, which uses a single CF for all services, MA uses three – one for OB/GYN services, one for mental health services, and one for all other services. In addition, since 2011, the Legislature passed dozens of service- and provider-specific payment adjustments that do not apply uniformly across services or service categories. These adjustments “make it virtually impossible for providers to know what payment they should receive for the services that they have rendered.”¹

Solutions

1) Increase Payments to Medicare Levels. The Legislature should increase MA payments to no less than 100% of Medicare and automatically adjust future payments.

2) Simplify the Payment Methodology. The Legislature should rely on the established conversion factor(s) to set and adjust MA payment and remove the dozens of behind-the-scenes payment adjustments passed since 2011 that are confusing and administratively complex.

Financing

Although no fiscal note has been published yet, preliminary estimates from DHS suggest that increasing current rates to Medicare levels would cost between \$150M and \$180M per year. To finance this, the MMA recommends implementation of an assessment on managed care organizations (MCOs) based on their enrollment. The tax would use federal matching funds to finance the payment increase. MCOs can expect to have most, if not all, of this burden offset by increases in MA payments (i.e., through higher capitated payments under the Prepaid Medicaid Assistance Program, PMAP).

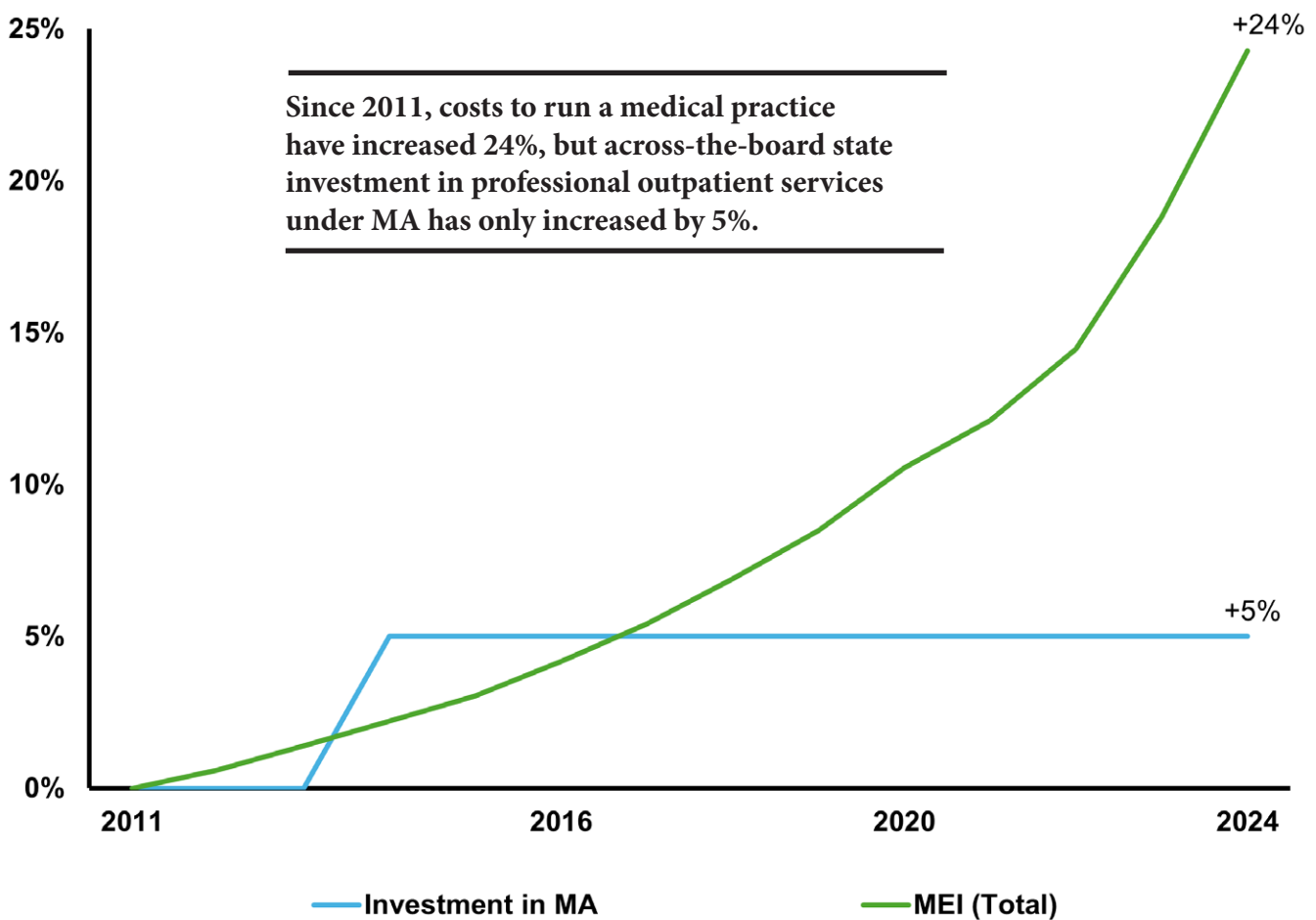


1. Minnesota Department of Human Services, “Legislative Report: Minnesota Health Care Programs Fee for Service Outpatient Services Rates Study,” August 2023, <https://www.lrl.mn.gov/docs/2023/mandated/231528.pdf>, p. 26.

2. Kaiser Family Foundation, “Medicaid-to-Medicare Fee Index,” 2019, <https://www.kff.org/medicaid/stateindicator/medicaid-to-medicare-feeindex/?currentTimeframe=0&sortModel=%7B%22colId%22:%22All%20Services%22,%22sort%22:%22desc%22%7D>.

STATE INVESTMENTS IN MA PAYMENTS COMPARED TO PRACTICE COST INFLATION

Figure 1. Percent change in medical practice costs (i.e., Medicare Economic Index) and across-the-board state investment in physician and professional outpatient services under Medical Assistance, relative to 2011.*†



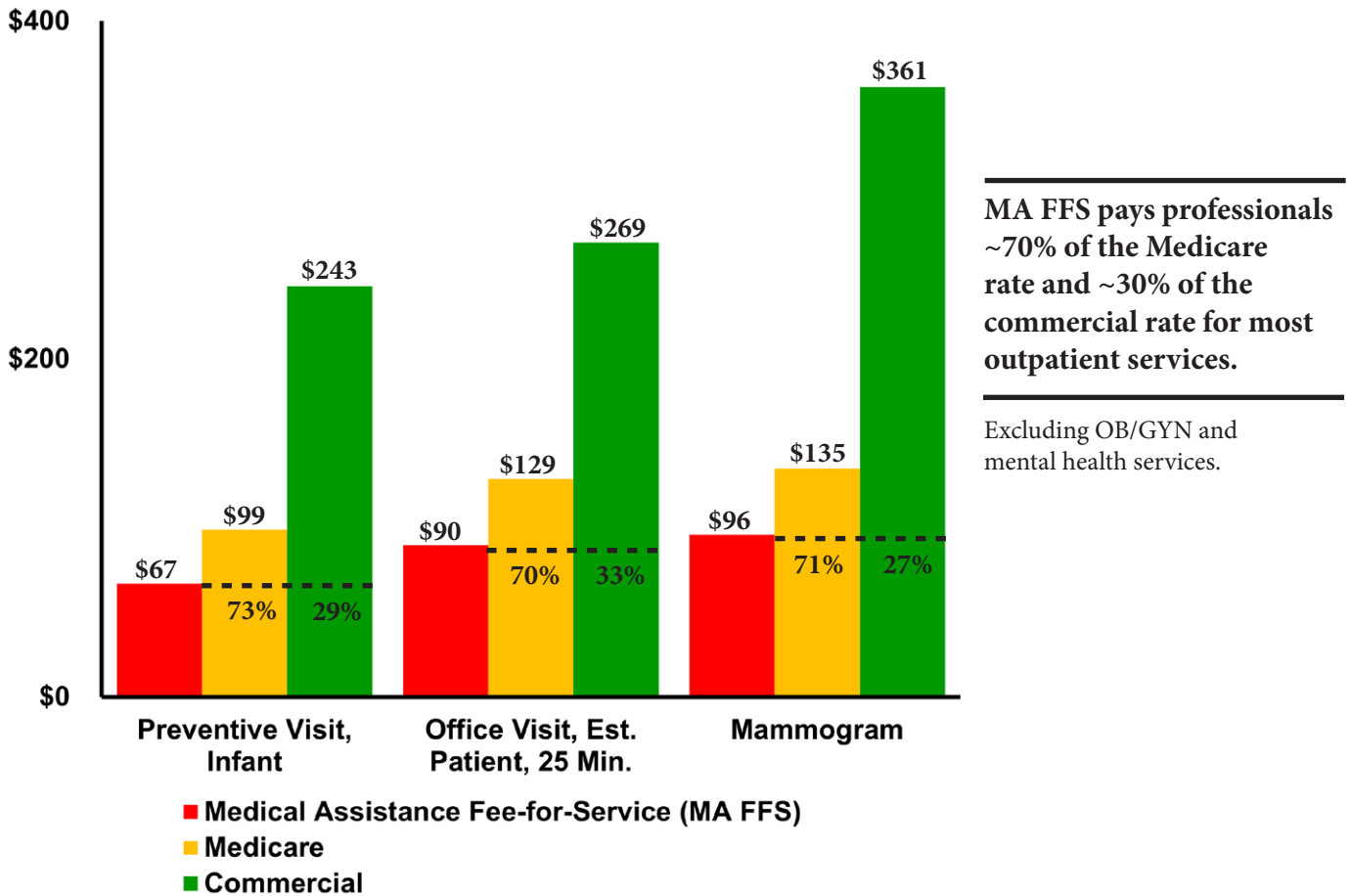
* The Medicare Economic Index (MEI) is a measure of medical practice cost inflation that has been maintained by the Centers for Medicare and Medicaid Services since 1975.

† “Across-the-Board Investment in MA” captures MA payment adjustments adopted by the Minnesota Legislature between 2011 and 2024 that apply to all physician and professional services, regardless of service or provider characteristics. Only one such adjustment exists – an increase of 5% in 2014. These adjustments are publicly posted.

Sources: Medicaid Economic Index Data: Centers for Medicare and Medicaid Services, “Detailed Market Basket History and Forecasts,” 2024, <<https://www.cms.gov/data-research/statistics-trends-and-reports/medicare-program-rates-statistics/market-basket-data>>; State Investment in Professional Outpatient Services Under MA: “Payment Methodology – Non-Hospital,” Minnesota Department of Human Services, 2024, <https://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=DHS16_146898#rates>.

PAYMENT RATE COMPARISONS

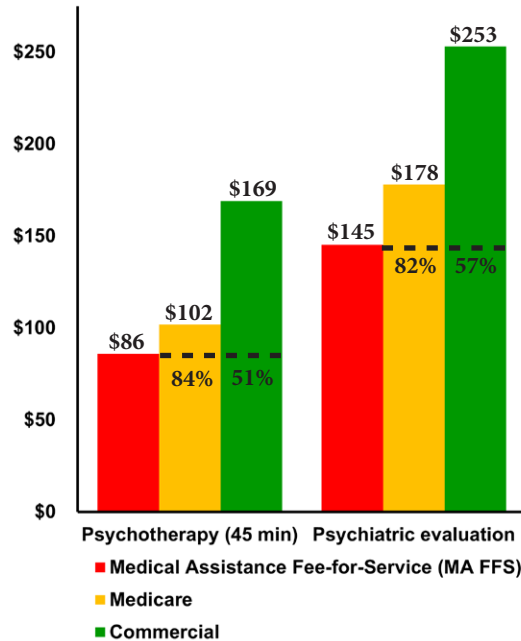
Figure 2. Mean payment for common outpatient services by Minnesota market segment, 2021 (excluding OB/GYN and mental health services).



Sources: Medical Assistance Fee-for-Service (MA FFS) Rates, 2021: Minnesota Department of Human Services, Provided Upon Request, Accessed October 2024; Medicare, Commercial Rates, 2021: Minnesota Community Measurement, Average Cost Per Procedure Reporting, Accessed October 2024, <<https://mncm.org/averagecostprocedure/>>.

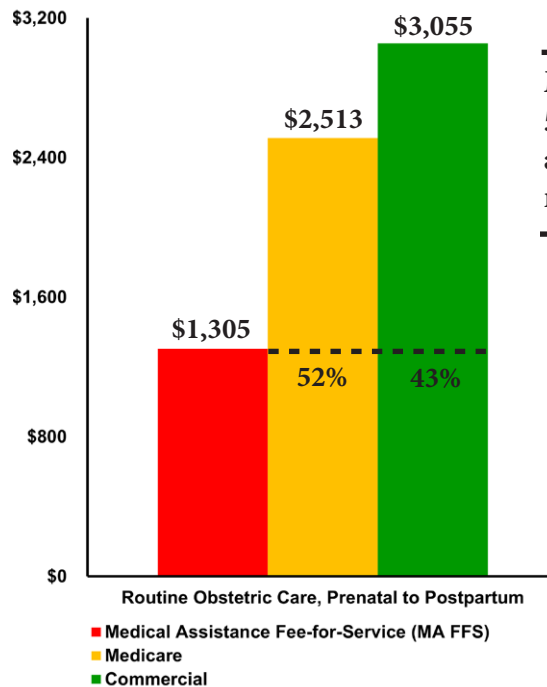
PAYMENT RATE COMPARISONS

Figure 3. Mean payment for common mental health services by Minnesota market segment, 2021.



MA FFS pays professionals ~83% of the Medicare rate and ~54% of the commercial rate for common mental health services.

Figure 4. Comparative payment for routine obstetric care, prenatal to postpartum (CPT 59400), for MA FFS and Medicare, 2021, and commercial payers, 2024.

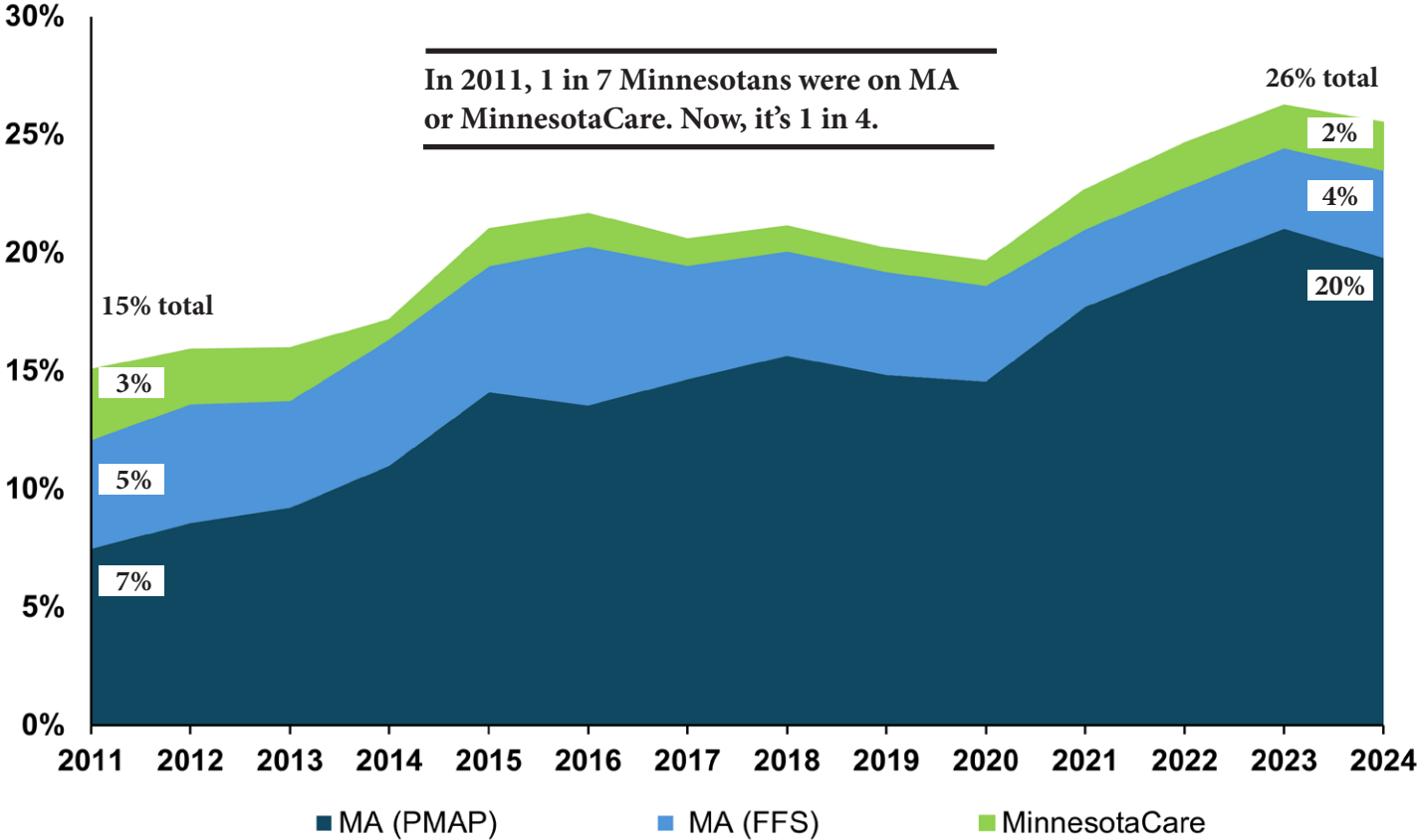


MA FFS pays professionals 52% of the Medicare rate and 43% of the commercial rate for routine OB care.

Sources: Medical Assistance Fee-for-Service (MA FFS) Rates, 2021: Minnesota Department of Human Services, Provided Upon Request, Accessed October 2024; Medicare, Mental Health Commercial Rates, 2021: Minnesota Community Measurement, Average Cost Per Procedure Reporting, Accessed October 2024, <<https://mncm.org/averagecostprocedure/>>; OB Commercial Rates, 2024: FairHealth Consumer, Medical and Hospital Costs > Zip Code 55108 (St. Paul) > CPT Code 59400 > Estimated In-Network Price (50th Percentile), Accessed October 2024, <<https://www.fairhealthconsumer.org/>>.

MA & MINNESOTACARE ENROLLMENT, 2011 TO 2024

Figure 5. Annual percentages of the Minnesota population enrolled in Medical Assistance and MinnesotaCare, 2011 to 2024*.



* Low MA and MinnesotaCare payments have imposed an increasingly greater financial burden on healthcare providers as a greater share of the population has enrolled in MA and MinnesotaCare.

MA ENROLLMENT BY COUNTY

Figure 6. Medical Assistance (MA) enrollment by county, percentage of population, 2023.

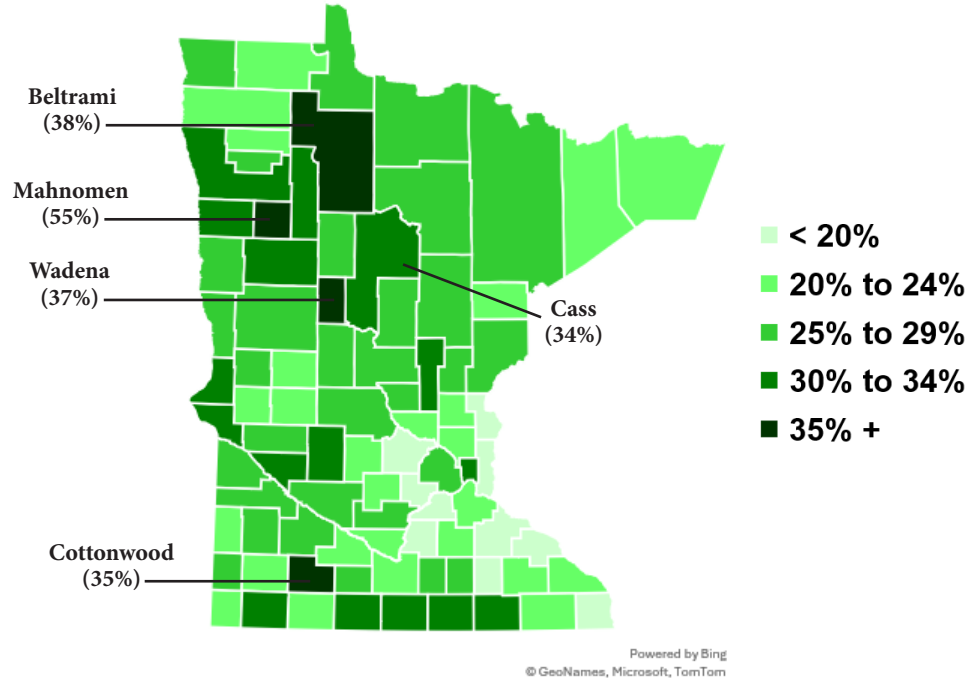
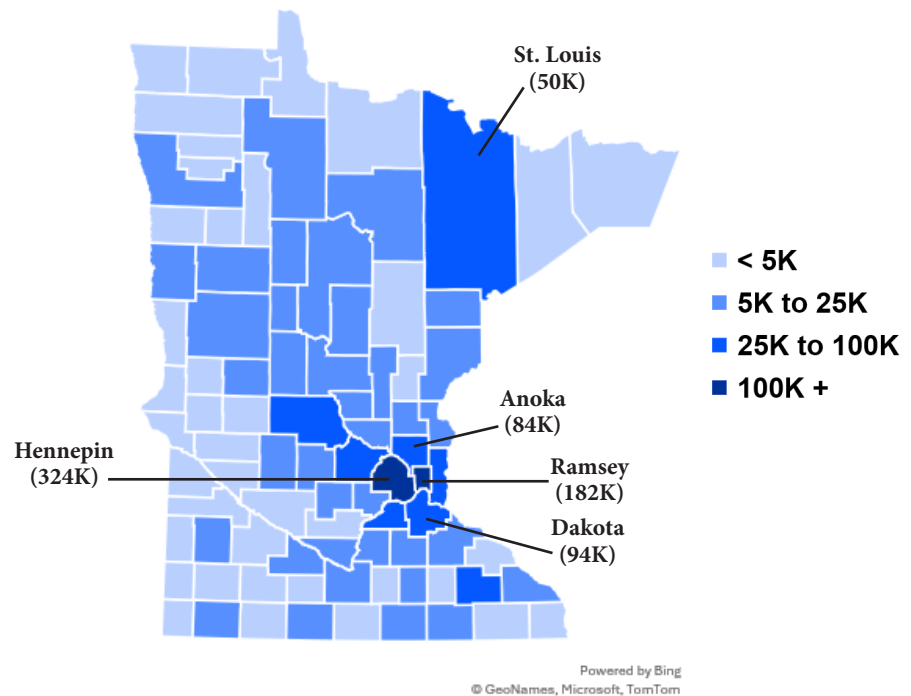


Figure 7. Medical Assistance (MA) enrollment by county, count of population, 2023.



Sources: Source: Department of Human Services, "Who Medicaid and MinnesotaCare Serve," 2024.



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