

March 10, 2026

Re: Organizational letter of support for SF3612/HF3476 the **PATIENT-CENTERED CARE AND DIRECT PAYMENT FOR MEDICAL ASSISTANCE AND MINNESOTACARE**

Dear Members of the Minnesota Senate Health and Human Services Committee,

We, the undersigned unions and organizations, urge you to support the Patient Centered Care and Direct Payment for Medical Assistance and MinnesotaCare bill, authored by Sen. John Marty and Rep. Tina Liebling (SF 3612/HF 3476).

What it does: This bill will remove HMOs from the Medical Assistance and MinnesotaCare programs. In the present system, the HMOs are paid a monthly premium per enrollee (often called a capitation payment) by the Department of Human Services (DHS). The HMOs, in turn, pay the medical providers. This bill will instead shift all current HMO enrollees to a direct payment system, under which DHS pays doctors, hospitals, and pharmacies directly for medical goods and services.

Counties with County-Based Purchasing systems would serve as payment administrators on behalf of DHS in those counties. Counties that wish to create or join a County-Based Purchasing system will be allowed to do so. The state will also pay for care coordination of all enrollees, including payments to primary care providers.

Why do this? The key reason is to save the state up to a billion dollars per year that are currently wasted on HMO administrative expenditures and net income (which research shows to be somewhere between 10 and 15 percent of total expenditures by Medicaid HMOs). This is a common-sense reform in its own right, but it has now become essential in light of the large federal HR 1 cuts coming to Medicaid. For Minnesota, these cuts are projected to average \$2 billion per year over the next decade.

The PCC–Direct Payment bill will offset a large portion of these cuts. This can help protect against reductions in benefits and eligibility that would otherwise likely occur. It could also be crucial for the survival of rural medical providers in our state.

Can the state do this? DHS already does this for about 250,000 people, which is approximately 20 percent of our total Medical Assistance enrollment. The systems are already in place to pay medical providers directly, without the expense of paying HMO net income and many excessive administrative functions.

What about fraud? The insertion of HMOs into our public programs, known as privatization, has increased the risk of fraud. This is because it is difficult for DHS to hold the HMOs it contracts with fully accountable. Under state law, the payments that HMOs give to medical providers are secret. The legislature has tried—and failed—to determine whether privatization has actually saved the state money.

Proof that de-privatization saves money: Connecticut removed the insurance companies from (i.e., de-privatized) its Medicaid program in 2012 and reduced its per-person costs by 14 percent while also improving the quality of care. Oklahoma did the same thing in

2005 with similar results (although that state recently yielded to insurance industry interests and is in the process of returning to a privatized system).

Minnesota has been experimenting with HMOs in our public programs for four decades on the theory that they would save money and provide good quality. Unfortunately, this experiment has clearly failed. Before the legislature privatized Medical Assistance, DHS was the only source of administrative costs within the program, and DHS spent 4 to 5 percent of its Medical Assistance expenditures administering the program.

The insertion of HMOs added additional administrative costs along with HMO net income, raising the total to an estimated 15 to 20 percent of total spending.

It is time to acknowledge that the experiment did not work, that billions in taxpayer funds have been wasted, and that we should return to what we previously did for all enrollees: direct payment of providers by DHS.

We urge you to vote **yes** for the Patient Centered Care – Direct Payment to Providers bill.

Sincerely,

Afton Indivisible

Brainard Lakes Indivisible

Chicago Lakes Indivisible

Claddagh Indivisible

Comunidades Organizando el Poder y la Acción Latina (COPAL)

Engines for Economic Justice

Health Care for All Minnesota (HCA-MN)

Indivisible Bemidji

Indivisible 507

Indivisible Kandiyohi County

Indivisible Left

Indivisible North Metro

Indivisible Saint Peter/Greater Mankato

Indivisible Shakopee, Prior Lake, Savage

Indivisible West Metro

Indivisible Twin Cities

ISAIAH Minnesota

Minnesota AFL-CIO Retiree Council

Minnesota Association of Professional Employees (MAPE)

Minneapolis Regional Retiree Council (MRRC)

Minneapolis Retired Teachers (MRT)

Minnesota Farmers Union (MFU)

Minnesota Nurses Association (MNA)

OutFront Minnesota

Protect Minnesota

Physicians for a National Health Program – MN (PNHP-MN)

Red River United Indivisible

Saint Croix Valley Indivisible (SCVI)

Saint Paul Corner Drugstore/Pharmacy

Service Employees International Union Health Care Minnesota and Iowa (SEIU HC MN & IA)

Spirit River Indivisible
Students for a National Health Program – MN (SNaHP-MN)
WARR Indivisible
W7th Gardeners of Resistance
Zenith City Indivisible

Contact information:
Rose Roach, Chair, Health Care for All Minnesota
Rose.roachLCSP@outlook.com
651-233-3604