



ISSUE

Medical Assistance (MA) access and financing reform

MMA Position

Approximately one in four Minnesotans relies on Medical Assistance (MA).¹ And yet MA and other outpatient professional service rates have not been increased in more than 20 years, failing to keep pace with the cost of delivering care. These factors jeopardize the financial viability of many medical practices and risk access to care for many of the most vulnerable Minnesotans. It is time to implement the Department of Human Services (DHS) rate study recommendations to increase payment rates to Medicare levels and simplify the methodology. This can be done by increasing federal funds through an assessment on managed care organizations.

Background - Rate Inadequacy

According to the best available data from DHS, MA pays about 30 cents on the dollar compared to commercial health plans and about 70 cents on the dollar compared to Medicare for most outpatient services.^{2,3} Compared to other states' Medicaid programs, Minnesota ranks 30th in payment levels.⁴ Low MA payments have imposed a greater financial burden on clinics over time as more Minnesotans enroll in MA. Between 2011 and 2024, the percentage of Minnesotans on MA has doubled from 12% to 24%.¹ This percentage is even higher in many rural counties (e.g., Mahanomen = 55%, Beltrami = 38%, Wadena = 37%).¹

The DHS rate study concluded that it is time to increase payment rates to the Medicare level.⁵

Background - Rate Complexity

The DHS rate study also concluded that the MA payment methodology for outpatient services is so complex that it is “virtually impossible for providers to know what payment they should receive for the services that they have rendered.”⁵ This complexity is a result of the Legislature’s adoption of: 1) three different conversion factors (CFs) for OB/GYN services, mental health services, and all other services, and 2) dozens of additional service- and provider-specific rate adjustments that don’t apply uniformly across services or service categories.⁵

To correct for this complexity, the DHS study recommends adoption of the Medicare payment, and the elimination of dozens of adjustments that do not apply uniformly across billable services.

Talking Points

- A Legislature-commissioned DHS study concluded that outpatient Medical Assistance (MA) payments are too low to cover practice costs and preserve access to care.
- These services are paid 30 cents on the dollar compared to commercial plans for the care they provide to nearly 25% of Minnesotans.
- Minnesotans in every corner of the state depend on MA for healthcare. While there are more MA recipients in the metro area, the percentage of recipients is the greatest in rural counties.
- This rate increase can be financed with increased federal match funds raised through an assessment on managed care organizations (MCOs). MCOs can expect to have most of the tax burden offset by increases in MA capitation rates. Under this model, the rate increase would not rely on the general fund.

References

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2. Minnesota Department of Human Services, Medical Assistance Rates Provided Upon Request, 2024.
3. Minnesota Community Measurement, “Average Cost Per Procedure Reporting,” Accessed October 2024, <https://mncm.org/averagecostprocedure/>.
4. Kaiser Family Foundation, “Medicaid-to-Medicare Fee Index,” 2019, <https://www.kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/?currentTimeframe=0&sortModel=%7B%22collId%22:%22All%20Services%22,%22sort%22:%22desc%22%7D>.
5. Minnesota Department of Human Services, “Minnesota Health Care Programs Fee for Service Outpatient Services Rates Study,” August 2023, www.lrl.mn.gov/docs/2023/mandated/231528.pdf.