



April 8, 2008

Sen. Linda Berglin
Minnesota State Legislature
State Capitol #309
St Paul, MN 55155

Dear Sen. Berglin:

I know you face a very difficult job in addressing the \$935 million budget shortfall and I appreciate your action to protect the integrity of the Health Care Access Fund and not use it to balance the budget. On behalf of the over 10,000 physician members of the Minnesota Medical Association, however, I urge you not to adopt the cuts to physician payments included in the Senate Supplemental Budget Bill (SF 3813).

Physicians are committed to serving our low-income patients. I personally know of no physician clinic that has stopped seeing Medical Assistance, General Assistance Medical Care, or MinnesotaCare patients. Yet, the cuts recommended in the Senate bill have the potential to put medical providers in a very difficult financial situation. As a reminder, the physician fee schedule used for our public programs is based on the average charges from 1989. Physicians are reimbursed the lower of 1) their submitted charges, or 2) 80 percent of the 50th percentile of 1989 submitted charges. This base fee schedule was adopted by the Legislature in 1992. The only increase provided by the Legislature was a 3 percent increase in 1999.

In fact, the Office of the Legislative Auditor released a report this February, entitled "*Financial Management of Health Care Programs*" that concluded the physician fee-for-service payments should be **increased**, not cut. As the report points out:

"There has been no subsequent change in the base year; 1989 rates are still used to determine provider payments. The 1999 Legislature authorized a 3 percent increase in physician rates (effective in 2000), and this has been the only across-the-board physician rate increase since 1992." (OLA, page 51)

The auditor's report goes on to conclude:

"Overall, we think that fee-for-service rates need greater attention from policy makers. The lack of regular increases in some types of fee-for-service payment rates have undoubtedly helped to contain costs in Minnesota's publicly funded health care programs. However, the continuing erosion of the state's payment rates for certain types of providers has the potential to adversely affect service access and quality." (OLA, page 53)

Be aware that the impact of the proposed 3 percent cut to the fee-for-service rates will go beyond fee-for-service programs. The health plans that provide managed care health care to our low-income Minnesotans base their physician payments on this fee-for-service fee schedule. Included in most health plan contracts is a provision that automatically reduces physician payments if the state cuts the fee-for-service reimbursements. So these cuts go way beyond services provided to fee-for-service patients.

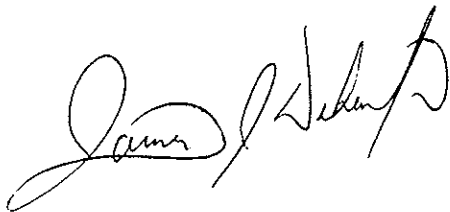
The MMA has been actively participating in the many discussions related to reforming our health care system. We agree that we need to adopt reforms that will ensure access to needed care, improve the quality of the care provided and control the increasing health care costs. The Legislature is sending confusing messages when at a time when everybody agrees that one of the big reasons why costs are higher in the private market is because of the cost shifting caused by underfunding our public programs, you are considering making this problem bigger by further cutting reimbursement rates.

You need to know that it is hard to convince many of my physician colleagues that we should support expanding eligibility to our public health care programs when you are considering cutting reimbursements that do not cover overhead costs now. According to the Legislative Auditor's report physician reimbursements in our public health care programs are between 31 and 33 percent of the submitted charges. Medical clinics cannot survive very long when they are reimbursed 33 cents on the dollar.

These cuts will hit hardest those clinics that serve large populations of MA, GAMC, and MinnesotaCare patients. Generally, these are clinics serving the rural and inner city areas. This, combined with the low reimbursement rates for the Medicare population, is putting many clinics in a severe financial situation. Many rural clinics have over half of the patients they serve covered by Medicare, Medical Assistance, and MinnesotaCare. At some point soon they will be forced to make some very difficult decisions.

As the two supplemental budget bills go to conference committee, please support the House approach and balance the budget without cutting outpatient reimbursements by 3 percent. Remember that there has not been an across-the-board increase to these reimbursements in nine years, and there has been no update to the base year of rates in 16 years.

Sincerely,

A handwritten signature in black ink, appearing to read "James J. Dehen, Jr.", written in a cursive style.

James J. Dehen, Jr., MD, FACS
President
Minnesota Medical Association
Brainerd, Minnesota