

Deficit threatens health care safety net



Gov. Tim Pawlenty left health care off his priority list in January when he spoke about his plans for a 2009-2010 budget.

As lawmakers confront an historic budget deficit, the state's health care safety net programs are in serious jeopardy of large cuts.

The state's \$4.8 billion budget deficit was at the top of everyone's mind when lawmakers convened on January 6, and it became increasingly clear in the ensuing weeks that Gov. Tim Pawlenty did not consider the state's health care safety net a top priority.

"Our concern moving forward is going to be the \$4.8 billion deficit," said Dave Renner, the MMA's director of state and federal legislation. "And our major focus will be on trying to make sure there aren't undue health care cuts."

Pawlenty said in his State of the State address that his top priorities for his 2009-2010 budget, which was scheduled for

release January 27, were education, veterans' programs, and public safety. As for health care, he said, "these important programs have become really expensive and their cost is simply unsustainable."

He then added that he would maintain the current coverage for children but overall the state had to slow the rate of growth in these programs. During past budget deficits, Pawlenty proposed eliminating the General Assistance Medical Care program, which is completely funded by state dollars and provides coverage to many single adults. Another possibility would be cuts to Medical Assistance (Minnesota's Medicaid program), which would result in a loss of one federal dollar for every dollar in state funding that was cut, or to MinnesotaCare, which receives about two-thirds of its funding from the state, and one-third from the federal government.

During his speech, Pawlenty proposed resolving the state's deficit crisis without a tax increase and proposed tax cuts for businesses.

In contrast, DFL lawmakers have been suggesting a combination of cuts and tax or fee increases to address the deficit.

In January, the MMA sent a survey to members asking whether

they thought the budget deficit should be resolved through increased taxes, eligibility cuts, or reduced spending. The MMA plans to use the information to guide its lobbying efforts this session.

In addition to preserving the safety net, another top MMA priority this session will be to make sure that health care reform legislation passed last session stays on track and doesn't lose momentum. For example, the 2008 Health Care Reform Act included \$47 million for public health initiatives and called for the state to eventually pay a care coordination fee for health care homes. "We want to make sure that the state doesn't make short-term cuts that will cost more money in the long run," Renner said. ■

Medical education hit during first round of cuts

To protect K-12 schools, the state's single-largest spending item, Gov. Tim Pawlenty axed local government aid, health care spending, and higher education spending during his first round of budget cuts in November. Through the unallotment process, which gives the governor the authority to stop already appropriated spending, he resolved a \$426 million budget deficit for the remainder of this fiscal year, which ends in June 2009, by making \$271 million in cuts and using \$155 million in budget reserves. He cut \$73 million from The Department of Human Services budget.

His three largest health care unallotments were as follows:

- \$28 million from the Medical Education Research Costs (MERC) account, which receives \$51 million annually from the general fund to compensate medical teaching facilities;
- \$17 million from the consolidated chemical dependency treatment fund balance, and
- \$10 million from add-on payments to hospitals that treat Medical Assistance patients.

Seat belt law's off to good start

Insiders say a law that would strengthen Minnesota's requirement that drivers and passengers wear seat belts has a good chance of passing this year.

The seat belt bill (S.F. 47) already passed out of the Senate Transportation and Policy Committee during the first weeks of the 2009 legislative session. The bill would make not wearing a seat belt a primary offense. Officers would be allowed to stop and ticket motorists for not wearing their seat belts.

Currently, drivers can be ticketed for not wearing a seat belt if

they are stopped for another reason.

The MMA has been a strong supporter of the driver safety measure, which, if passed, would save lives and reduce the number of accidents that result in life-altering injuries. About 10 percent of Minnesotans don't wear seat belts.

The measure nearly passed in May 2008 as part of an omnibus transportation policy bill but instead was referred back to a conference committee. ■

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MMA launches campaign to win fair pay rates for state programs

In December, the MMA launched a campaign to update the payment rates for caring for patients enrolled in state-sponsored health insurance programs. These rates have been nearly flat for 16 years.

Although the campaign's long-term goal is a payment increase, this year's objective is to avoid a cut in reimbursement rates, as lawmakers confront a multi-billion dollar deficit.

"Our job right now is to make sure lawmakers understand how vulnerable the safety net is because payment rates have been inadequate for some time," said MMA Trustee Donald Jacobs, M.D.

Physician reimbursement under MinnesotaCare, Medical Assistance (MA) and General Assistance Medical Care (GAMC) is the lowest among all public and private payers in Minnesota.

Minnesota physicians have received only one across-the-board 3 percent increase during the last 16 years, despite practice costs escalating dramatically during that time period.

Minnesota's reimbursement rates lag behind national averages. Between 1998 and 2003, the Kaiser Family Foundation found that Medicaid physician fees for primary care increased 41 percent nationally.

Fast Fact
Physicians treating Minnesotans enrolled in state safety net programs have seen only one across-the-board 3 percent payment increase in 16 years.

Reimbursement rates for office visits for evaluation and management services are considerably lower in Minnesota than in Iowa, North Dakota, South Dakota, and Wisconsin.

Meeting with lawmakers

To kick off the campaign, MMA Trustee Donald Jacobs, M.D., MMA CEO Robert Meiches, M.D., and MMA staff met with Sen. Linda Berglin, DFL-Minneapolis, and Rep. Thomas Huntley, DFL-Duluth, in December.

Their goal was to convey to lawmakers the extent to which current payment

Fast Fact
26 other states, including Wisconsin and Iowa, had higher Medicaid physician reimbursement rates than Minnesota in 2003.

Source: Urban Institute study

rates do not cover practice costs.

Jacobs said Sen. Berglin was sympathetic but called for physicians to offer some guidance about where cuts should be made to balance the budget.

Insurers fail to pass on increases

Another problem MMA officials pointed to is the fact that it is not clear whether the state's insurers have not been passing along payment increases to providers.

Minnesota started experimenting with using managed care for public health programs in the 1980s. Health plans participating in the Prepaid Medical Assistance Program (PMAP) receive capitated payments from the state to cover these enrollees.

During the past eight years, health insurers that provide enrollees coverage have received annual increases of about 10 percent. The Legislature provided the increases to cover rising costs, including physician costs. Yet, physicians report those increases have not been passed along to providers.

"One of the concerns that we have is that in addition to Medicaid fee-for-service rates being very flat really since 1989," Jacobs said, "payment rates from PMAP have also been inadequate to cover the cost of caring for this population."

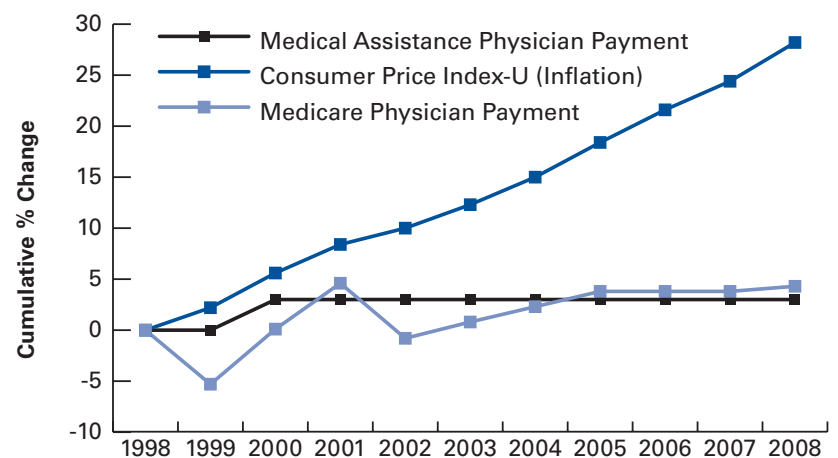
Arcane pricing system

Another reason for the low reimbursement rates is the state's use of an arcane methodology from the early 1980s for computing fee-for-service payments. The formula results in low reimbursement for office visits, primary care and prevention services. The Legislature mandated that the Department of Human Services (DHS) move to a resource-based relative value scale (RBRVS) system in 2003. But DHS officials have yet to make the change, despite the fact that Medicare and all other private payers use this system. Converting to an RBRVS system would help increase payments for preventive care and office visits. It would also make

Minnesota's payment system more transparent by allowing for easier comparisons with other states and payers. Jacobs said that these factors have left the health care safety net vulnerable and that years of underpayment have left those physicians

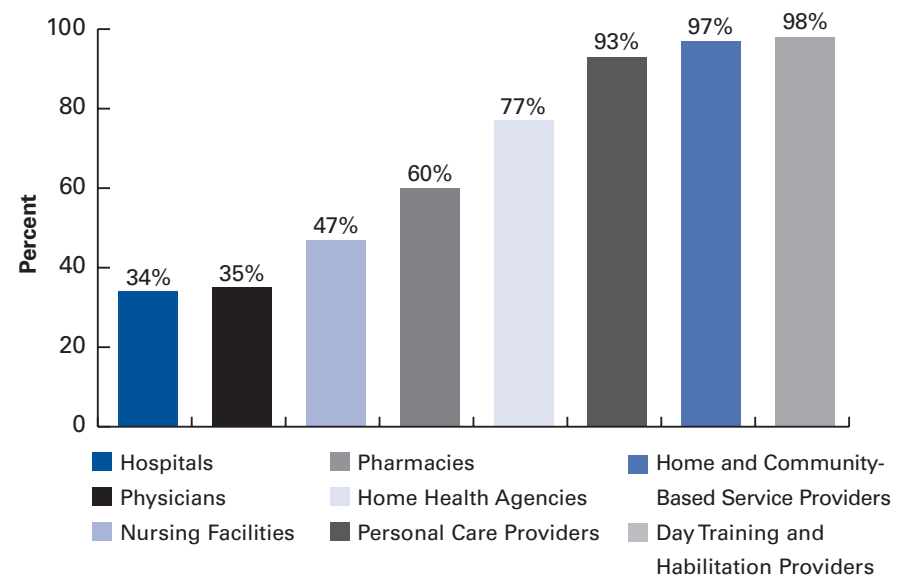
who care for the poor unable to withstand payment cuts. "The phenomena we are likely to see if cuts go through is that more and more physicians will limit the number of Medicaid patients they see or that they will stop seeing them altogether." ■

MN Medical Assistance and Medicare Reimbursement and Inflation Trends



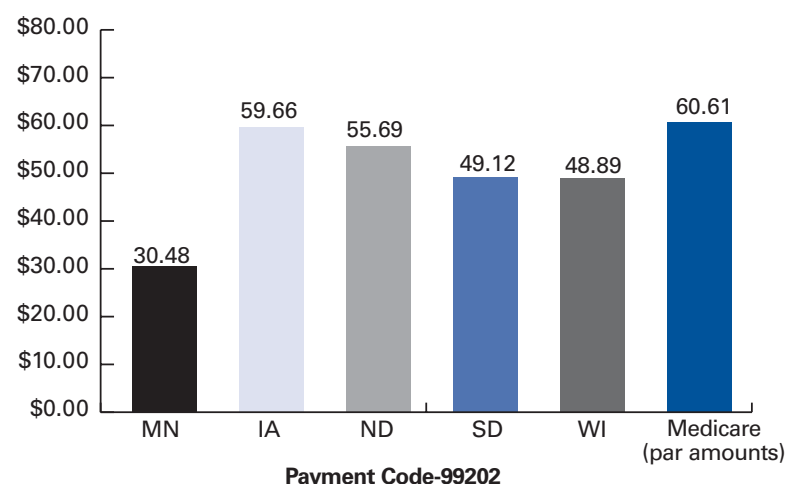
Sources: Medical Assistance data based on changes in fee-for-service rates excluding targeted programmatic, code, and specialty changes; Medicare data based on changes in Medicare's conversion factor as published by the Centers for Medicare and Medicaid Services; CPI-U data from US Bureau of Labor Statistics.

Ratio of Fee-for-Service Payments to Charges, 2005



Source: DHS data as reported in Office of the Legislative Auditor, State of Minnesota. Evaluation Report: Financial Management of Health Care Programs, 2008.

Medicaid Rate Comparison for New Patient Visits



Sources: Minnesota data based on fee-for-service fee schedule published by Department of Human Services (1/1/08 effective date); data for Iowa, North Dakota, South Dakota and Wisconsin from 2007/08 American Academy of Pediatrics Medicaid Reimbursement Survey; Medicare data based on 2008 Minnesota Medicare fee schedule published by Wisconsin Physicians Service.

MMA physicians work on health care reform

Health care reform is taking shape in Minnesota as work groups and organizations under contract with the state flesh out provisions in the 2008 Health Care Reform Act. MMA members and staff have been closely tracking the state's health care reform activities.

To date, the following MMA members have been appointed to participate in the process:

Health Care Reform Review Council

Donald Jacobs, M.D.
George Schoephoerster, M.D.

Workforce Shortage Study Group

Randy Rice, M.D.

David Thorson, M.D. (MMA Board member appointed to the study group by the Minnesota Academy of Family Practice)

Health Care Home Criteria Work Group

Keith Stelter, M.D.

By the end of January, work groups and organizations working under contract with the state had made the following progress:

- MN Community Measurement proposed 17 ambulatory quality measures and 12 inpatient quality measures to be used in a quality reporting and payment system that will be designed by July 1.

- The Health Care Homes Certification group proposed a set of 16 standards for determining whether a clinic can qualify as a health care home.
- The commissioner of health submitted a report to the Legislature recommending changes in state licensing laws for advanced practice registered nurses, physician assistants and pharmacists to increase their ability to maximize their skills and training when treating patients.
- The Baskets of Care Steering Committee, a group that is exploring alternatives to current fee-for-service payment methods, has selected seven conditions or services for which it will

To learn more about health care reform look for "Tracking Reform" in *Minnesota Medicine* or visit the Health Care Reform key issue page at www.mmaonline.net

create baskets of care—sets of services associated with their treatment or delivery. The seven baskets include: care of diabetic patients, well-child care, preventive services for adults, asthma care for children, obstetrics care, knee replacement, and low-back pain treatment. ■

■ SHORE UP MEDICAL ASSISTANCE

Medicaid, e-health funding proposed in stimulus

Democrats in the U.S. House proposed spending \$20 billion to computerize health care organization's systems and \$90 billion for Medicaid as part of the proposed \$825 billion stimulus plan released in January.

Increasing funding for health information technology is also supported by President Barack Obama, who called for a \$50 billion investment in health IT over the next five years during his campaign for the presidency.

Of the \$90 billion for Medicaid, \$3 billion would be earmarked for Medicaid regulatory initiatives, with the remaining

amount going to states in the form of a temporary increase in the federal match. Increased Medicaid funding would result in more revenue for Medical Assistance, Minnesota's medicaid program.

States across the country are struggling to pay for their Medicaid obligations. At least 44 states are facing budget shortfalls over the next two years totaling more than \$350 billion, according to a recent survey by the Center for Budget and Policy Priorities, a liberal Washington think tank. Roughly 60 million low-income people use the Medicaid program. ■

■ INSURE ALL MINNESOTANS

MN lawmakers introduce universal coverage bill

A coalition that includes labor and nurses unions, and the Children's Defense Fund Minnesota, is supporting a bill that would create a new state program to provide universal health care coverage, starting first with children.

The bill, the Minnesota Health Security Act (S.F. 9), was introduced in the Senate in early January. Its lead authors are Sen. Tony Lourey, DFL-Kerrick, and Rep. Paul Thissen, DFL-Minneapolis.

The bill would mandate that all children in Minnesota have health insurance by 2010. It also calls for the state to develop a plan for making sure all adults have access to health care coverage by 2012.

The bill does not include a cost estimate for the proposed program nor does it include a new funding source to pay for it.

Partners in the Make Health Happen coalition include the Minnesota AFL-CIO, TakeAction Minnesota, AFSCME Council 5, Children's Defense Fund Minnesota, Education Minnesota, ISIAAH, Minnesota Nurses Association and SEIU Minnesota State Council. ■

MMA calls for boost in Medicaid match

The Minnesota Medical Association and other organizations are urging Congress to increase the Medicaid match rate for states in an economic recovery package.

Even a one percent increase would provide an additional \$77.5 million to Minnesota in 2010.

The MMA, Aging Services of Minnesota, the Minnesota Dental Association, the Minnesota Council of Health Plans, the Minnesota Hospital Association and the Minnesota Pharmacists Association, sent a letter asking for an increase to Speaker of the House Nancy Pelosi, Rep. House Minority Leader John Boehner, Senate Majority Leader Harry Reid and Senate Minority Leader Mitch McConnell. ■

The MMA helped get health care reform started. Now, we need your help to finish the job.

In 2008, the MMA helped pass a health care reform bill that includes key features of MMA's reform plan.

Medical homes. Investment in public health. Insurance for all Minnesotans. Quality improvement and transparency.

And we made sure physicians will be involved in oversight, planning, and implementation.

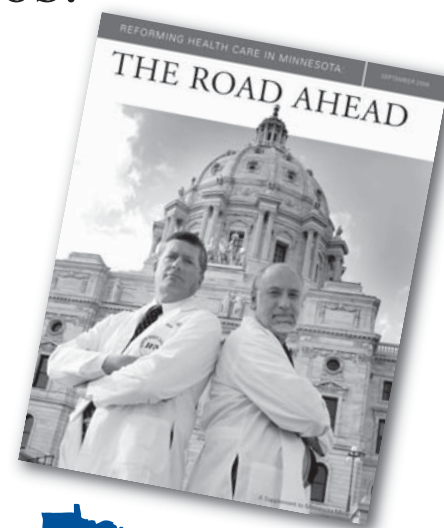
But without your membership, the MMA cannot continue to push for reform or represent you at the Capitol on other important issues.

Renew your membership today!

January 31 was the dues deadline.

Contact MMA member relations to ensure your membership continues.

Call 800/342-5662 ext. 3747, or e-mail duesprocessing@mnmed.org.



Bill aims to expand MNCare to jobless

Rep. Paul Thissen, DFL- Minneapolis, introduced a bill in January aimed at helping Minnesotans who have lost their jobs and their health insurance. H.F. 42 would waive the four-month waiting period required before unemployed people can apply for MinnesotaCare. The bill would also appropriate the money to pay for covering additional enrollees. ■

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See an update about health care reform activities and who's involved. Page 3.

MMA launches payment campaign

The MMA launched a campaign to try to upgrade state safety net reimbursement rates that have only increased 3 percent during the past 16 years. Page 2.

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