



February 15, 2023

Rep. Peter Fischer
Chair, Human Services Policy
551 State Office Building
St. Paul, MN 55155

RE: HF 693 - Commissioner of human services required to contract for administration of medical assistance and MinnesotaCare programs, report required, and money appropriated.

Members of the House Health Finance and Policy Committee:

My name is Jennifer DeCubellis and I am the Chief Executive Officer for Hennepin Healthcare System, the state's largest safety-net health system. We serve Minnesotans from across the state through our integrated system of care, which includes Hennepin County Medical Center (HCMC) acute care hospital, a nationally recognized Level 1 Adult and Pediatric Trauma Center, as well as a clinic system with primary care clinics across Hennepin County. We train nearly half of the doctoral residents in the state as well as other medical professionals, host a leading research institute, the Minnesota Poison Center, a burn center and many more community services.

Our hospital and clinics play an important and unique role for all of Minnesota. **75% of our patients access public programs for their health care, with nearly 50% enrolled in Medicaid, the largest number in the state.** Many of our patients are extremely vulnerable due to health status, chronic conditions, age, and food and housing instability.

Medicaid payments are far lower than commercial payments, thus the federal government, in recognition of this disparity, have created tools to help fill the gap in payments for high Medicaid utilization health systems, called directed payments. In 2021, Rep. Liebling included a provision in her omnibus bill to allow Hennepin Healthcare to access an increased federal reimbursement for some payments in Medicaid Managed Care. We've worked with DHS since 2020 on how to access this federal tool, and this mechanism went into effect January 2022.

Directed payments are part of Medicaid, so require a match to draw down dollars. As a non-state government owned hospital, Hennepin Healthcare has the ability to self-finance our directed payments using intergovernmental transfers (IGTs) at no cost to the state. DHS and Hennepin Healthcare currently utilize IGTs to finance different payments to Hennepin and have for many years.

In 2022, we received nearly **100M in Medicaid directed payments on our Medicaid Managed Care inpatient utilization costs. To say this has been a game-changer for our safety-net is an understatement.** The value is based on inpatient, ambulance, and provider utilization for our



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Managed Care patients and will increase January 2023, when outpatient utilization is added. Despite this significant increase, the disparity in payment still leaves financial gaps in a system that is heavily dependent on Medicaid.

Simply stated, directed payments are a stable and long-term solution recognizing the unique role high Medicaid utilization hospitals play in our safety-net. If Medicaid Managed Care ends in Minnesota, this would end directed payments for Hennepin Healthcare, resulting in a loss of well over \$100M per year.

It is critical to ensure funding of an equivalent level is maintained for Hennepin Healthcare through alternative means if there were changes to how Medicaid patients were paid in the future. The funding could not be unintentionally limited by any hospital or state specific thresholds that would result in loss of funding to Hennepin Healthcare without patient care suffering additional constraints.

The other issue is if the payment model for the 340B drug discount moves away from the Managed Care model to the FFS methodology for all Medicaid patients. HCMC receives over \$36M based on the yearly savings from purchasing discount drugs for our nearly 50% Medicaid population. These savings are used to care for the Medicaid population we support through our Coordinated Care Clinic (our clinic for people with housing instability to help reduce ED visits and hospitalization), medication therapy management, free medications for the underinsured, behavioral health services, food security services and much more. These savings only cover part of the costs associated with these programs, and changing to the FFS methodology would decrease our revenues for medications dispensed to these vulnerable patients. With the decrease in revenues, our ability to help support these programs would decrease or potentially cease.

As your state safety-net health system, we will continue to work with you to meet our mission of providing access to care and safety for our staff and patients. I look forward to connecting with you in person in the future.

Sincerely,

Jennifer DeCubellis
Chief Executive Officer
Hennepin Healthcare System

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