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- How the provider tax was repealed
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Get Involved

The MMA encourages physicians to participate in the legislative process in whatever way they can—whether it's by writing or emailing their lawmakers about a concern or hosting a post-session meeting in their homes or clinics to build a relationship with their lawmakers. To get started, please visit mnmed.org/getinvolved or contact Dennis Gerhardstein at dgerhardstein@mnmed.org or 612/362-3745.



2011 Legislative Session Ended with Gridlock, Cuts, and Repeal of the Provider Tax

After months of disagreement over how to solve the state's \$5 billion budget shortfall, the outcome of the Minnesota Legislature's 2011 session, which came in July after a government shutdown, was mixed for physicians.

On the positive side, the final Health and Human Services (HHS) budget included a repeal of the 2 percent provider tax in 2019, which has long been an MMA objective. "Minnesota physicians have fought hard for the repeal of the provider tax, and we are relieved that lawmakers are finally acknowledging that a selective tax on the sick is the wrong way to fund health care programs," said MMA President Patricia Lindholm, M.D.

The budget deal also keeps in place another MMA priority: the early expansion of Medicaid that Gov. Mark Dayton approved in March, allowing adults without children to qualify for Medical Assistance, the state's version of Medicaid. The budget did not include any significant eligibility or benefit cuts for enrollees in state public programs.

However, the 2012-13 HHS budget continues the recent trend of cutting provider payments. It includes a 3 percent reduction in Medical Assistance (MA) and MinnesotaCare fee-for-service payment rates over the next

two years. In addition, hospitals and health plans face substantial cuts that will almost surely get passed along to physicians.

This issue provides a summary of what happened this session and how it will affect physicians and their patients in the coming years.

■ Reimbursement Cuts

Lawmakers cut \$1.3 billion from the HHS budget, including reimbursements cuts for physicians, hospitals, health plans, and other health care providers. Direct physician payments were reduced by 3 percent or \$18.6 million for the biennium. However, the bill includes a host of cuts to hospitals and Minnesota's managed care plans that could result in additional cuts to physicians (see chart, page 2).

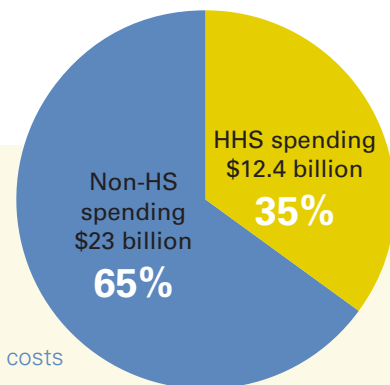
■ Provider Tax Phase-Out and Repeal

The final budget deal reduces and eventually repeals the state's 2 percent tax on providers. Under this provision, the state's budgeting department will estimate projected surpluses in the Health Care Access Fund,

Minnesota's 2012-13 Budget

Bottom Line

- \$12.4 billion in HHS spending
- 11.6% increase over 2010-2011 budget
- 8.4% decrease compared with projected 2012-2013 costs



Cuts to Physicians, Hospitals, and Health Plans in 2012-13

Cuts	Savings to State	Implementation
Cuts to Physicians		
3% fee-for-service reimbursement reduction for physicians and other providers. This applies to outpatient services provided to the elderly and disabled on MA and MinnesotaCare	\$18 million	September 1, 2012
Cap on physician payments for service to persons covered by both Medicare and MA at the MA rate, rather than the Medicare rate	\$39.7 million	January 1, 2012
Cuts to Hospitals		
10% cut in fee-for-service reimbursements for hospitals, excluding long-term care hospitals, children's hospitals, and Indian Health Services facilities	\$42.7 million	September 1, 2012; the cut drops to 5% July 1, 2013 for hospitals meeting readmission targets
Repeal of the 2013 hospital rate rebasing	\$106 million in 2013	January 1, 2013
Cuts to Health Plans		
<ul style="list-style-type: none"> • 2% cut to health plans for basic care to elderly on MA • 3% cut to health plans for families with children on MA • 10% cut to health plans for adults without children on MA • 6% cut to health plans for families with children on MinnesotaCare 	\$277.5 million	September 1, 2011 - December 1, 2013. Then rate increases will be capped at between 2% and 5%
Payment withhold for health plans that do not meet readmission and ER visit targets	\$22.9 million	January 1, 2012
Payment shift for health plans (similar to the one for schools) from May 2013 to July 2013	\$135 million	May 1, 2013

which is funded by the provider tax. If a surplus exists, the state will lower the tax rate. It is expected that the federal Patient Protection and Affordable Care Act will reduce the need for MinnesotaCare once enrollees start receiving federal subsidies for purchasing health insurance starting in 2014. The tax would be completely repealed by December 31, 2019.

■ Maintains Eligibility and Benefits

The budget does not cut off anyone completely from MA or MinnesotaCare. It also continues the early

enrollment of adults without children in MA, allowing for the continued elimination of the General Assistance Medical Care program and the ability of the state to capture federal funds. It does not prevent the state from receiving federal money from the Patient Protection and Affordable Care Act.

■ MinnesotaCare Vouchers

About 8,000 enrollees in MinnesotaCare will receive vouchers to help buy health care coverage in the private market. The state will provide vouchers to adults without children

who earn between 200 percent and 250 percent of the federal poverty level. The amount of the voucher will be determined by a sliding fee schedule and will range from \$125 per month for individuals ages 19 to 29 years to \$360 per month for those over 60 years of age.

The MMA does not oppose the voucher approach but is concerned that the money the state will provide may not be enough to allow Minnesotans to afford adequate coverage. The MMA helped win a concession that plans must cover chemical dependency and mental health treatments for people purchasing coverage with state-funded vouchers.

■ Medical Education

The state's Medical Education and Research Costs (MERC) fund, which helps pay for medical residency programs, will take a \$12.8 million hit each year of the biennium. That amount represents about half of the money it has been receiving from the state. In addition, \$9.8 million in direct payments to the University of Minnesota Academic Health Center will be cut. Money for the state's physician loan forgiveness program also was reduced by \$155,000 each year. In addition, the Summer Health Care Internship program, which provides stipends for high school students interested in pursuing health careers, was discontinued for a savings of \$600,000.

■ Health Care Homes

The Commissioner of Health will be able to waive health care home certification requirements in cases where going through the normal process is too difficult for a clinic. Also, health care homes must work with county social service agencies to coordinate services for health care home enrollees who have complex medical needs. This provision takes effect September 1, 2011.

■ Frequent ER Users

In an effort to combat the high costs associated with frequent visits to hospital emergency rooms, the state will start paying care coordinators to provide assistance to individuals on MA who have used an ER three or more times in the previous four months. The coordinators will address the patient's mental health, chemical dependency, social, economic, and housing needs in an effort to reduce trips to the ER.

■ Children with Mental Illness

The Department of Human Services will develop a plan by January 15, 2012, to provide care coordination services to children on MA or MinnesotaCare who receive mental health and medical treatments costing \$100,000 or more in the previous year.

■ SHIP

The Statewide Health Improvement Program (SHIP) received \$15 million in funding for 2012. Although the total funding is considerably less than in previous years, the Legislature's original budget included no money for SHIP.

■ Back and Neck Pain Project

The HHS budget also included funding for a five-year demonstration project to study the effectiveness

of alternative and complementary medicine in the treatment of back and neck pain.

■ Alzheimer's Study

The Legislature funded a research review on the value and potential cost savings associated with earlier identification and diagnosis of Alzheimer's disease. Findings will be published by January 2013. Also, a new health care home learning collaborative will identify best practices related to early identification of Alzheimer's and related disorders.

■ Autism Task Force

The new budget extends the Minnesota Autism Spectrum Disorder Task Force until 2015. The task force was created by the Legislature in 2009 and is slated to finish its work this year.

■ Shifting People with Disabilities to Managed Care

Starting in January, the state will shift people with disabilities who currently have fee-for-service MA coverage to the Prepaid Medical Assistance Program (PMAP). The state estimates this will save \$26 million and assumes those who are shifted will stay in managed care, although they will have the opportunity to opt out and return to fee-for-service.

Five Proposals the MMA Helped Defeat

1. Changes to the state's newborn screening program that limited the collection of data
2. Limits on stem-cell research
3. Limits on the use of vaccines that include "fetal DNA"
4. A proposal to reduce reimbursements to "high-cost providers"
5. A proposal to create pregnancy health care homes and mental health care homes

■ HMO Competitive Bidding

The HHS budget establishes a two-year pilot program in the seven-county metropolitan area to create a competitive bidding process for health plans that serve nonelderly, nondisabled adults and children on MA and MinnesotaCare.

■ Health Plan Transparency

The new law requires health plans to submit detailed data to the Commissioner of Health regarding provider payments and provider payment rate methodologies.

Elective Births

The Department of Human Services will start promoting policies prohibiting elective, induced births prior to 39 weeks. Hospitals will be required to submit data about all births covered by MA or MinnesotaCare, unless that hospital already has a prohibition on elective inductions.

Premature Births

The new law creates a 15-member task force that will produce a report by January 23 that will include strategies for reducing premature births in Minnesota.



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How Minnesota Repealed Its Provider Tax



Photo by Steve Wewerka

Patricia Lindholm, M.D.,
MMA President

The 2011 legislative session was lengthy and exhausting. Gov. Mark Dayton and the GOP-controlled Legislature worked well past their May deadline to erase the state's \$5 billion budget deficit.

The governor's proposals did more to protect the health care safety net by seeking to balance the state's budget through a combination of new revenues and spending cuts — an approach the MMA believed was preferable to a cuts-only budget fix.

Various GOP plans included much deeper cuts and called for the repeal of the governor's early expansion of Medicaid.

aid.

In the end, both sides compromised when it came to health care. Gov. Dayton allowed for deeper cuts and GOP lawmakers dropped their bid to repeal the early expansion of Medicaid. They also agreed to the phase-out and repeal of the 2 percent provider tax by 2019.

I was heartened by this unexpected development not because it is a pocketbook issue—although it should reduce health care costs—but because it helps repair a breach of trust. Doctors have long believed it's unfair to make those who must seek medical services also pay a selective tax.

So I want to thank lawmakers, particularly Rep. Matt Dean (R-Dellwood) for taking this first step toward repealing the sick tax. The MMA worked with Rep. Dean early in the 2011 session to help him draft a bill that would reduce the size of the provider tax as the need for it went down. This bill passed through several House committees but did not move in the Senate. Then, during the final budget negotiations, Rep. Dean, with the support of Senate leaders and Gov. Dayton, saw an opportunity to eliminate the provider tax as new federal subsidies come online in 2014 to help Minnesota's low-income workers buy coverage.

I am convinced that the MMA helped lay the groundwork for this breakthrough. It has worked hard since the tax was adopted in 1992 to remind lawmakers that it is regressive, hits sick people harder than healthy people, and adds to the overall cost of health care. Many legislators, both Republicans and Democrats, agreed with us over the years that this was a bad tax, yet there was never enough support to find the nearly \$500 million a year needed to eliminate it.

But our work isn't done. In fact, a new phase has begun. Much can happen in eight years. Please continue to support the MMA so we can ensure lawmakers keep their promise and make the provider tax a piece of Minnesota's history.

MMA Response to Government Shut Down

During the state government shut-down, the MMA received many calls from the media about the effect it was having on physicians.

Because the state agreed to continue paying for care provided to people on Medical Assistance and MinnesotaCare, the biggest potential problem for doctors was the threat of not being able to get or renew their medical license. The Minnesota Board of Medical Practice (BMP), the state agency that issues licenses, estimated that more than 4,000 physicians' licenses would expire in June, July, August, or September.

The MMA started advising physicians in June that those with licenses set to expire in June, July, August, or September should renew them before June 30. This announcement came after the MMA worked with the BMP to let physicians renew their licenses earlier than usual so they could avoid the consequences of a possible shutdown. In the end, a crisis was averted, because medical licenses expire at the end of the month and the shutdown ended in mid-July.

MMA Called for Tobacco Tax Increase

As budget negotiations entered the final phase, the MMA urged lawmakers to raise the tobacco health impact fee as a way to increase revenue and reduce smoking rates.

At the end of June, the MMA sent out an Action Alert to members urging them to tell lawmakers to vote for a tobacco tax hike. The MMA also sent a letter to legislators and the governor calling for the increase. Gov. Mark Dayton did propose a \$1-a-pack cigarette tax increase to help bridge the partisan divide. But House Speaker Kurt Zellers and Senate Majority Leader Amy Koch said their fellow Republicans opposed raising any state taxes and immediately rejected the offer.

Connecting with Lawmakers

Kenneth Hodges, M.D., a family physician from Edina, met with lawmakers from his district in May to discuss his concerns about the effect of budget cuts on Minnesota's health care safety net.

Hodges brought a unique perspective to those meetings—that of a physician who works with the poor. As a part-time practitioner at the St. Mary's Health Clinics, which provide free care to the uninsured in the Twin Cities, he had seen the number of people needing his services grow significantly as a result of the recession. Hodges was concerned that if the state were to cut programs such as MinnesotaCare, even more people would need the services of free clinics. Hodges met with first-term Rep. Pat Mazorol, R-Bloomington, and the lead staff of Sen. Geoff Michel, R-Edina, as part of the MMA's Freshman Friday program.

Freshman Friday was the MMA's effort to connect local physicians to the state's 60 new legislators to educate them about issues related to health care. As of August, MMA members had connected with about two-thirds of the first-year lawmakers.

Hodges said that since the meetings, both lawmakers followed up by sending him emails. "I let them know that if they wanted to discuss any of these topics to give me a call," he said.

The MMA encourages physicians to participate in the legislative process in whatever way they can—whether it's by writing or emailing their lawmakers about a concern or hosting a post-session meeting in their homes or clinics to build a relationship with their lawmakers. To get started, please contact Dennis Gerhardstein at dgerhardstein@mnmed.org or 612/362-3745.



Your support made it happen!

Provider Tax Repealed

Nineteen years of working together pays off with repeal of Minnesota's Provider Tax.

Now – Hold Lawmakers to Their Promise

Ensure Minnesota's Legislature finishes the job of repeal by 2019. Renew or start your MMA membership at mnmed.org/join or call us at 612/362-3764.



WHAT PASSED, WHAT DIDN'T

Although the 2011 legislative session was noteworthy for its gridlock, some issues important to physicians did get resolved. Here is a look at some proposals that either did or did not become law.

Bills that Passed



Community Paramedics

Legislation creates a new type of provider called the community paramedic. Community paramedics practice under the authority of an ambulance medical director and work in conjunction with a patient's personal physician

and local health care home to assist with care coordination. The Commissioner of Human Services will convene a work group to determine the types of services community paramedics will be allowed to bill for and evaluate how they coordinate services with health care homes. MMA supported.

Giving Lawmakers a Heads Up



Mark Carlson, M.D.

For Mark Carlson, M.D., a family physician who practices sports and occupational medicine at the Sanford Bemidji Clinic, change wasn't happening fast enough.

Although he knew that word was spreading about the dangers of concussions, he still saw too many coaches, parents, and players downplaying the seriousness of these head injuries.

"I wish we could just tell everyone that concussions are serious, and they would pay attention, but I don't think that was working," he said.

So when he heard that Minnesota lawmakers were considering a bill that would require a clinical assessment of athletes suspected of suffering a concussion before allowing them to play again, he wanted to do what he could to see that it became law.

Carlson joined representatives from the MMA, his employer, Sanford Health, and others at the Capitol to push for the concussion legislation.

Carlson testified at four committee hearings and had private meetings with lawmakers, during which he shared his concerns about the health risks of concussions.

The experience taught Carlson that making change happen is a team effort requiring the work of individuals, medical societies, and hospitals and clinics. "It gives more gravity and clout to say, 'We as the MMA support this.' But I don't think that is adequate without also having the involvement of individual doctors, because lawmakers also want to hear from individual physicians in their districts," he said.

Concussion Awareness in Young Athletes

All coaches or officials are now instructed to remove an athlete from practice or play who is suspected of having suffered a concussion until he or she has been assessed by a practitioner who is trained and experienced in evaluating and managing concussions. The new law also requires coaches and officials who work with young athletes to receive annual training on concussions. MMA supported.

Anatomical Gift Promotion Account

Persons renewing their driver's license or car tabs will be able to donate \$2 to an account that will be used to make grants to nonprofit organizations to promote organ, tissue, and eye donation. MMA supported.

Bills that Failed



Newborn Screening Registry Repeal

Legislation would have modified the state's newborn screening law to require the Department of Health to destroy all blood samples after 24 months, unless a parent opted to keep them longer. This



would have ended the state’s newborn screening registry and put the testing labs out of compliance with federal laws. The bill was originally included in the omnibus Health and Human Services budget bill. MMA opposed.

✘ Minor Consent Repeal

Bills were introduced in both bodies of the Legislature that would have repealed Minnesota’s 1974 law that allows minors to receive care for mental health, chemical dependency, and reproductive health without a parent’s consent. The bill was heard in the Senate Judiciary Committee but did not go farther. MMA opposed.

✘ Freedom to Breathe Exemptions

A House bill would have exempted bars from the state’s clean indoor air requirements by allowing smoking in those that are separated from adjoining restaurants by walls and doors that can be closed. The bill never received a hearing. MMA opposed.

✘ Seat Belt Primary Offense Repeal

The House approved a floor amendment to an omnibus judiciary policy bill that would have repealed Minnesota’s primary offense law for failure to wear a seat belt. The amendment would have prohibited law enforcement officials from stopping and ticketing a driver solely for failure to wear a seat belt. The Senate never adopted the amendment, so the repeal failed. MMA opposed.

✘ Chiropractic Scope of Practice Expansion

A bill introduced in the House would have expanded the scope of practice for chiropractors by allowing them to use all types of diagnostic imaging, provide counseling related to diet and mental health, and use the term “chiropractic physician.” The bill was heard in several committees but was not approved. MMA opposed.

Legislative Run Down

Bill Name and Number	Outcome	MMA Position
Community Paramedics (S.F. 119)	✓	👍
Concussion Awareness in Young Athletes (S.F. 612)	✓	👍
Anatomical Gift Promotion Account (H.F. 808)	✓	👍
State Health Insurance Exchange (H.F. 497, S.F. 917, S.F. 1343)	✘	👍
Medical Malpractice Reform (S.F. 432)	✘	👍
Newborn Screening Registry Repeal (S.F. 1017)	✘	👎
Minor Consent Repeal (S.F. 1017)	✘	👎
Freedom to Breathe Exemptions (H.F. 188)	✘	👎
Seat Belt Primary Offense Repeal (H.F. 1023)	✘	👎
Chiropractic Scope of Practice Expansion (H.F. 1334)	✘	👎
Prohibition of Firearm Inquiries (S.F. 1476)	✘	👎
Shared Decision-Making Mandate (S.F. 542)	✘	👎

✘ Prohibition of Firearms Inquiries

Two bills were introduced in the House and Senate that would have prohibited physicians and health care providers from asking patients about their use, possession, or access to firearms or firearms ammunition. The bills were similar to a bill passed in Florida that was supported by the National Rifle Association. Neither received a committee hearing. MMA opposed.

✘ State Health Insurance Exchange

A number of proposals were introduced to establish a Minnesota health insurance exchange as is allowed by the federal Patient Protection and Affordable Care Act of 2010. The measures did not advance because of vocal opposition from some GOP members. The MMA supports a state exchange as opposed to a federal one.

✘ Medical Malpractice Reform

A Senate bill would have set a cap of \$250,000 for noneconomic damages and punitive damages associated with medical malpractice suits. The bill also would have established adherence to a best practice guideline as a defense in malpractice cases. MMA supported.

✘ Shared Decision-Making Mandate

A bill introduced in the Senate would have required the use of a patient-centered decision-making process for patients considering surgery for chronic back pain, coronary disease, early-stage breast and prostate cancers, and other problems. Although supportive of the concept of shared decision-making, the MMA was concerned that mandated use was problematic and premature. MMA did not support.

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INSIDE:

2011 Legislative Session Mixed for Doctors

The 2011 Minnesota legislative session resulted in large budget cuts to health care programs but also the repeal of the provider tax. Page 1.

How Minnesota Repealed Its Provider Tax

MMA President Patricia Lindholm, M.D., discusses this somewhat surprising outcome. Page 5.

12 Legislative Results Important to Doctors

New requirements related to concussions and a ban on asking patients about firearms are just a couple of the issues important to physicians that lawmakers considered during the 2011 legislative session. Page 7.

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