Complying with federal durable medical equipment rates

Issues

- Effective Jan. 1, 2018, federal law limits the federal matching payment for certain durable medical equipment products to the Medicare rate.
- Minnesota currently pays rates in excess of the Medicare rates and must recover overpayments from providers beginning in 2019 in order to comply with the federal payment limits.
- The model of paying more than the Medicare rate and later recovering the overpayment creates financial uncertainty for the state and providers.
- Minnesota’s rates for durable medical equipment that are not subject to federal limits are calculated in a complex manner based on a percentage of billed charges. As billed charges have no correlation to a provider’s acquisition cost for durable medical equipment, the methodology is inefficient, unpredictable and administratively complex.

Proposal

- Changes Minnesota’s reimbursement rate for durable medical equipment covered by Medicaid, called Medical Assistance in Minnesota, to the Medicare rate.
- Simplifies the reimbursement formula for products without a Medicare rate, basing the new methodology on the provider’s costs, not billed charges.

Benefits

- Simplifies the reimbursement formula for products that don’t have a Medicare rate to ensure the state pays a fair, predictable and efficient rate.
- Prevents the administrative burden and financial insecurity of having to recover overpayments from providers.

Fiscal impact

- This change in payment timing and the reimbursement formula are expected to reduce expenditures in the fiscal years 2020-2021 biennium by roughly $7.7 million, and $1.3 million in FY 2022-23.
Related information


DHS Communications: March 2019