

10/25/2019 - By Mark Azman and Olivia Weber

## Minnesota Supreme Court finds Medicaid Discounts are an Exception to Collateral-Source Offsets to Jury Awards

Recently, the Minnesota Supreme Court decided *Getz v. Peace*, --- N.W.2d ---, A18-0121 (Minn. Oct. 16, 2019), and affirmed the Court of Appeals holding that Medicaid beneficiary discounts are considered payments made pursuant to the United States Social Security Act and are exempt from the collateral-source offset as an exception under Minn. Stat. §548.251 subd.1(2) (2016). Put simply, a reduction in a jury award from a collateral source will not include any amount received under the Medical Assistance Program. This will allow plaintiffs who are receiving benefits under Social Security or the Medical Assistance program to keep a jury award that's potentially higher than their negotiated medical bills.

The plaintiff was a medical-assistance enrollee and received Medicaid benefits through contracted managed-care organizations. After the jury award, the defendants moved for the determination of "collateral sources" which are payments related to the injury in question of the plaintiff. These collateral sources would offset the jury award, reducing the amount that the defendant would owe the plaintiff. Minn. Stat. §548.251 subd. 2, specifically excludes any payments of life insurance benefits available to plaintiff, or payments made pursuant to the United States Social Security Act, or pension payments.

Originally, payments from collateral sources were not deducted from a plaintiff's damages awarded by the jury. The policy supports the common-law idea that the tortfeasor shouldn't be able to benefit from a tort plaintiff's ability to secure other compensation. The Minnesota Legislature has since enacted statutes to prevent double recoveries by injured plaintiffs. As a result of this change, courts will reduce damages for an injury sustained by a plaintiff if certain collateral-source payments have been made to the plaintiff. The plaintiff in this case alleged that the payments from the managed-care organizations were an exception to the collateral source offset because they were payments made pursuant to the United States Social Security Act.

This case arose out of a motor vehicle accident in which the jury returned a special verdict that assigned 20% fault to the plaintiff, and 80% fault to the defendant. The district court first reduced the plaintiff's award for past medical expenses by \$20,000 to offset the no-fault insurance benefits she received. The district court then reduced the award to the amount that the plaintiff's managed-care organization actually paid (\$45,979.00), finding that the amounts negotiated were "collateral sources" that are subject to offset under the statute. The Court of Appeals analyzed Minn. Stat. §548.251 and agreed with the plaintiff. First, the court held that the plain language of statute contains no requirement of direct state or federal action in negotiating discounts. Second, that discounts negotiated by plaintiff's MCO were obtained by authority granted by the Social Security Act, and thus they

fall under the exception of collateral sources as payments made pursuant to the Social Security Act. The defendant appealed to the Minnesota Supreme Court.

The Minnesota Supreme Court analyzed the dictionary definition of “pursuant to” found in Minn. Stat. §548.251. The Court held that a broad interpretation of the statute was appropriate. The Court found that the language allowed for any payment that was made by any payer (so long as they have to comply with Medicaid laws) in relation to the Social Security Act qualified as an exception to the collateral-offset rule. Tangentially, the Court held that common law does not apply to this analysis. The Legislature specifically determined payments made pursuant to the United States Social Security Act to be an exception to the collateral-offset rule. The Court held they must give effect to the Legislature’s intent. In conclusion, this case will affect collateral offsets to jury awards when a plaintiff is a Medicaid beneficiary. This will allow the plaintiff to, in the words of the dissent, be “entitled to a windfall”.

If you have any questions about the exceptions to Minn. Stat. §548.251, offsets to jury awards, or insurance defense in general, contact Mark Azman or Olivia Weber ([olweber@olwkllaw.com](mailto:olweber@olwkllaw.com)) at 952.831.6544.