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### **The *Spaeth* Balance Rule and Medicaid: *Gist v. Atlas Staffing, Inc.***

By [Katie L. Babb](#)

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On April 4, 2018, the Minnesota Supreme Court issued an opinion requiring a provider that accepts a Medicaid payment to accept it as “payment in full,” refusing to apply the *Spaeth* balance rule in a Medicaid context.

In this case, the Employee, Anthony Gist, was diagnosed with kidney failure as a result of his job with Atlas staffing. Gist sought workers’ compensation benefits, but they were denied. He treated with Fresenius Medical Care, which was paid for in part by Medicaid.

The case went before a workers’ compensation judge who found that the Employee’s exposure to silica was a substantial contributing factor to his kidney disease and ordered the workers’ compensation insurance carrier to pay benefits. On appeal, the Workers’ Compensation Court of Appeals largely affirmed the decision. The case was then appealed to the Minnesota Supreme Court.

The Minnesota Supreme Court opinion states in relevant part as follows. Gist worked for the staffing agency Atlas from 2011 through 2013 and was exposed to silica while working for Atlas. After he left the job, he treated at Mercy Hospital and was told that he had evidence of kidney failure. He then filed a Claim Petition seeking workers’ compensation benefits. The compensation judge found Gist permanently and totally disabled. At the time of hearing, there was about \$1.5 million in medical and indemnity benefits at issue. The Employee received treatment from Fresenius Medical Care. Fresenius intervened in Gist’s workers’ compensation case, seeking reimbursement for the treatment costs that it had billed to Medicaid and Medicare. The compensation judge concluded that the Minnesota workers’ compensation fee schedules applied to all services provided to the Employee for his work conditions in the state of Minnesota. For services provided in Michigan, the compensation judge found the Michigan laws and fee schedules applied. The judge also concluded that she lacked jurisdiction to interpret Medicaid and Medicare laws.

The Workers’ Compensation Court of Appeals held that the compensation judge properly determined that she lacked jurisdiction to interpret and apply Medicaid and Medicare statutes and rules and that she properly rejected the argument that a medical provider that accepts payments from Medicaid and Medicare is barred from receiving workers’ compensation payments.

The Minnesota Supreme Court heard several issues, one of which was whether under a federal Medicaid regulation, Fresenius may or may not obtain from them the amounts billed to, but not paid by, Medicaid. The Appellants argued that by accepting Medicaid payments, Fresenius received “payment in full” and was barred from recovering the unpaid balance from Appellants. However, Gist and Fresenius argued that the *Spaeth* balance rule should be extended to the Medicaid context. The *Spaeth* rule states that a treatment provider is entitled to payment of the charges for medical services up to the amounts allowed under the Minnesota fee schedule, even when the provider already received partial payment from a private insurer.

The Court analyzed the issue and the pertinent Medicaid regulation stated:

A State plan must provide that the Medicaid agency must limit participation in the Medicaid program to providers who accept, as payment in full, the amounts paid by the agency plus any deductible, coinsurance or copayment required by the plan to be paid by the individual. 42 C.F.R. § 447.15.

The Court concluded the language of this regulation is unambiguous and “imposes a bright-line rule” that “when a provider participates in Medicaid, bills services to Medicaid, and accepts Medicaid payment for those services, it accepts the amount paid as “payment in full,” and thus cannot recover from third parties any unpaid amounts.” Therefore, the Court concluded that once a provider accepts payment from Medicaid, the provider cannot recover any additional amounts for those same services from an employer. There were no exceptions to this rule that would allow a provider to do so. The Court stated that if the federal government had wanted an exception for workers’ compensation cases, it

would have said so.

Additionally, the Court considered whether extending the *Spaeth* balance rule would conflict with 447.15. The Court concluded that under the doctrine of conflict preemption, the federal regulation and the *Spaeth* balance rule were “incompatible,” and therefore declined to extend the *Spaeth* balance rule to the Medicaid context.

If you have any questions about how *Gist* can be used to potentially save on medical costs, please contact Katie Babb, or any attorney at Brown & Carlson.

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