Blueprint for Health Care Policy Reform

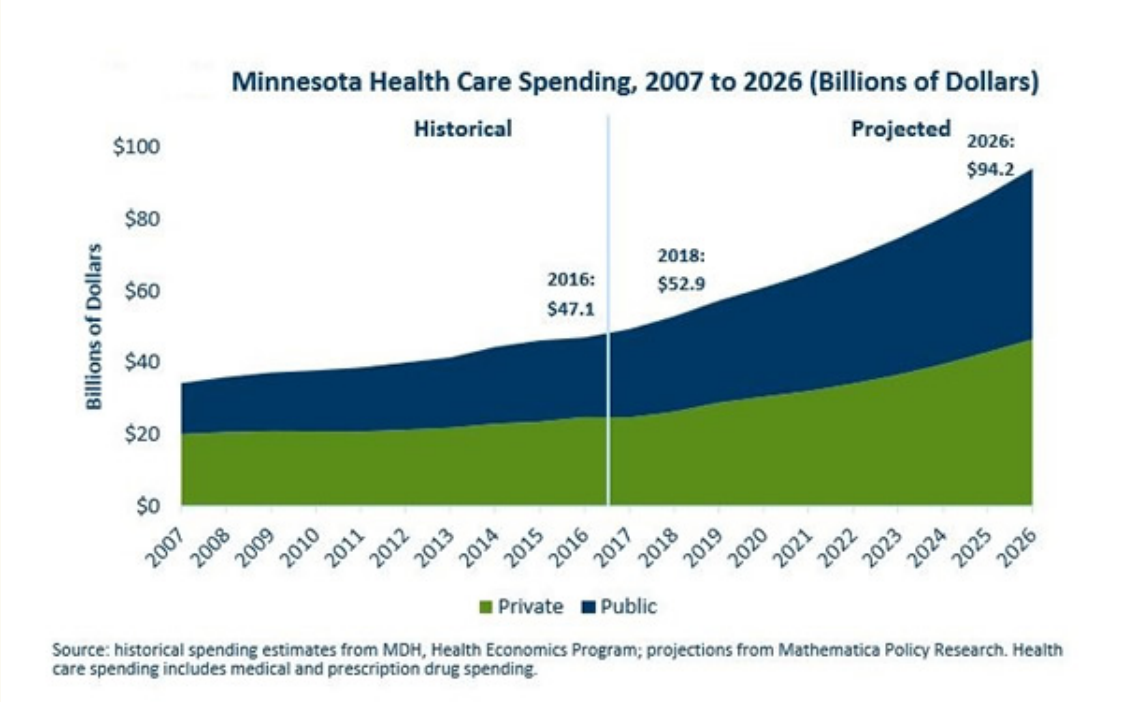
Minnesota remains a national leader in health care with high quality of care, low rate of uninsured, high rate of private insurance, and a comparatively healthy population. Still, rising costs remain an enormous challenge for Minnesota employers, individuals, and state government. Despite slightly slower growth in recent years, projections show total health care spending in Minnesota nearly doubling between 2016 and 2026, when it will account for one-fifth of the state's economic activity. Numerous factors are causing the ongoing cost explosion:

Price, Utilization & Eligibility: Increases in prices for medical services and growth in utilization are primary drivers of spending. State program eligibility expansion generated significant enrollment growth in public programs.

Demographics: Illnesses and corresponding costs rise with age and underserved populations. Minnesota's aging population is leveling off and being replaced by younger residents, many of whom depend on public health care programs.

Technology & Drugs: New technologies and expensive pharmaceutical products are constantly emerging and consumers frequently try every treatment available regardless of whether it is likely to improve their care or quality of life. Balancing this are new technologies that can help reduce the cost of care if properly deployed and utilized.

Inefficiency: Wasteful spending is caused by defensive medicine; redundant, inappropriate, or unnecessary tests and procedures; and individuals maintaining unhealthy lifestyles and not adhering to medical advice and prescriptions.



Source: historical spending estimates from MDH, Health Economics Program; projections from Mathematica Policy Research. Health care spending includes medical and prescription drug spending.

To create a sustainable system with improved quality and lower costs, comprehensive reforms are needed to engage consumers, align purchasers, and reorient providers and insurers to find and deliver market-driven efficiencies.

Minnesota should pursue a balanced approach to reform in order to ensure a functioning and responsive health care marketplace that achieves optimal health outcomes, reduces costs, and increases access to affordable care. Our rich tradition of health care leadership and market-based innovation can create new solutions to meet the specific needs of patients and providers.

GUIDING PRINCIPLE

Support a market-based, patient-centered health system that increases quality, fosters innovation, and reduces costs.

Outcomes-Oriented System

To rein in costs and improve care, the health care system should replace outdated and inefficient fee-for-service payment models with innovative value-based payment models that reward quality, consumer satisfaction, and cost savings. The state should remove regulatory barriers and make utilization data uniformly available to encourage collaboration and facilitate coordinated care, but maintain antitrust policies in the insurance and provider sectors to avoid anti-competitive pricing practices.

Reducing Cost

Policymakers should consider several reforms to alleviate growing health care costs, including addressing uncompensated care costs directly and transparently – not by cost-shifting to the private sector. Data suggests providers are charging more for patients covered by commercial plans to compensate for relatively low government rates. For example, according to the Minnesota Hospital Association, Minnesota's public health care programs currently pay providers less than the actual cost of care–amounting to about half of what a commercial plan pays. Lawmakers should also reform medical malpractice laws to reduce the practice of defensive medicine while ensuring adequate patient protection.

Efficient and Effective Government Health Care Programs

Minnesota's health care system should be private, market-based, patient-centered, and offer broad competitive choice of provider, insurer, and coverage options. Government should enhance a strong and functional health care marketplace by providing safety net programs, setting standards for the health care sector, and supporting delivery and payment innovations.

To ensure government health care programs are effective and efficient, policymakers should evaluate program benefits according to national and peer state benchmarks and consider aligning Minnesota to other high performing states. Beneficiaries of public health programs should be empowered to use providers and plans that deliver cost-effective, quality care.

Funding for government health care programs should rely on broad-based, equitable revenue sources, and designated health care revenue should be used only for health care purposes. Finally, government should not limit reserves of private companies under business contracts with the State. Reserves protect consumers and ensure businesses' solvency and should not be used to finance government operations.

Transparent and Actionable Measurement

Health care providers and systems should be measured on their ability to keep patients healthy and avoid unnecessary services and costs, but cost and quality measurements are not always transparent or meaningful to health coverage purchasers. Providing understandable information will engage consumers and help them make value-based decisions. The state should support the work of existing nationally recognized community-based organizations (including the Institute for Clinical Systems Improvement and Minnesota Community Measurement)

to define common expectations and measurements for plans and providers. Rather than duplicate private sector efforts in this area, the State should use them for its own programs. The state should support the use of provider cost and quality comparisons and make them available to consumers.

Innovation and Flexibility

The state should foster market-based innovation and flexibility in Minnesota's health care system. This includes supporting the development and use of health information technology (HIT), and supporting statewide IT protocol for sharing appropriate clinical data among providers to improve quality, safety, and efficiency. Policymakers should reject restrictions, regulations, or taxes on self-insured employers that may inhibit market-based, patient-centered innovation or hinder employers' ability to address unique challenges of cross-border employee populations, and avoid one-size-fits-all service and payment models that stifle innovation and freeze ideas in place.