

## **BUSINESS PLAN FOR HEALTH CARE REFORM**

### **ISSUE**

**How do we create a functioning, responsive health care marketplace that will achieve better health outcomes, reduce the cost of health care, and reduce the rate of future cost increases?**

### **POLICY**

The business community supports a number of initiatives at the Legislature and state agencies and through purchasing decisions in order to support creation of a functioning, responsive health care marketplace that will achieve better health outcomes, reduce the cost of health care, and reduce the rate of future cost increases. By addressing the cost and quality of health care, we also will achieve increased access to affordable health care for Minnesotans.

In 2008, a significant health care reform bill passed that addressed many of the following recommendations. The reforms will take several years to implement. Accordingly, a focus of this policy will be working with the Department of Health, Department of Human Services and the Department of Commerce as they implement the law.

#### **Understandable & Comparable Standards for Provider Pricing and Quality Measures**

In order to make value-based decisions for health care, we need a more meaningful approach to pricing. Pricing in health care is not structured in a way that is meaningful to the patients or purchasers of health coverage such as employers. Providers' prices are for individual units of service and do not take into account the full episode of care. Plans establish their own level of payment with each provider and the actual price paid for a service is often not provided to the patient until long after the care is provided.

Standard quality measurements also must be available and presented to consumers in an easy to understand and comparable format. Quality measurements are beginning to be used for benchmarking providers but are rarely used by consumers in determining which provider to use for care.

The Minnesota Chamber supports:

- Transparent pricing based on packages of care, where possible:
  - Define common service ranges (i.e. maternity care, joint replacement).
  - Define a general time period for packages of care.
  - Providers set and publish price for packages of care.
  - Plans pay based on packages of care.
  - Maintain strong anti-trust policies to avoid anti-competitive pricing practices while encouraging collaboration on individual patient care.
  - Appropriate application of evidence-based care will be coupled with an individual provider price for a service.
- Enhanced quality measures and reporting
  - Create and make available to consumers quality comparisons consistent with the packages of care as defined above. Consumers then will be able to make value decisions based on cost and quality.
  - Create and make available to consumers measures for patient satisfaction as well as patient accountability.

- Enact mandatory provider reporting on quality using process measures and outcome measures, where appropriate, instead of claims data.

### **Reward Value, Not Volume**

Paying for results and outcomes, not just procedures. Today our health care system does not reward services outside the traditional office visit setting such as education and follow-up. Yet, almost 80 percent of health care costs are used by patients with chronic illness, and optimal management of chronic illness requires provider-patient interactions. Meanwhile, capacity for high-margin, preference sensitive services such as imaging, and procedures, is skyrocketing, driving use and costs up. Not only do we not pay for better results, we pay extra for bad results. Infections and adverse outcomes caused by system failures result in extra payments to providers. We have created an unsustainable cycle of investments that will drive up cost while failing to provide needed resources.

Under a system reformed to deliver and reward value, not volume, we will achieve efficiencies and cost savings through improved and coordinated care delivery that will reduce the need for costly procedures and hospitalizations. In addition, we will increase quality of care delivered, and small and large providers will be rewarded and paid on results and outcomes, not just volume of patients served and their ability to negotiate with health plans.

The following recommendations aim to shift the skewed financial incentives in our current health care delivery system. The recommendations will transform our current delivery system and thus must be seen as a long-term endeavor. We need to be persistent in supporting the recommendations to ensure that the needed transformation takes place and we move to a new system that will reward value, not volume.

The Minnesota Chamber supports:

- Health plan payments and benefits designs that reward optimal care. Potential ways to accomplish this are through applying a care management fee to targeted conditions that is based on results and measures, development of a medical home model, or other forms of care coordination.
  - Any new payment system must be based on provider results and outcomes, not just processes. Payment reform initiatives need to be structured in a way that reallocates current resources and not just adds more money into the system. Health care dollars need to be redistributed to services that will prevent the need for costly procedures and hospitalization and away from high-margin services.
  - A standard definition for what care management means should be developed, and measures should be established so we can effectively measure the outcomes and results. We should use existing community resources such as the Institute for Clinical Systems Improvement to define common expectations and measurements for health insurance plans and providers.
- Provider contracts that pay for superior results. Health plans should contract with providers based on their results and outcomes, not just discounts.
- Purchasers and consumers should promote and support providers who provide the best care through reimbursement levels and plan designs and choose plans that demonstrate excellence.
- Initiatives that will advance delivery system change.
  - The state should review the current license and scope of practice laws and encourage providers to practice to the top of their licenses. Our health care system can and should be able to deliver care more efficiently and at lower cost by ensuring providers are able to deliver the right care at the right time in the most efficient and safe manner.
  - Support public policies that will discourage and minimize medical mistakes and other avoidable events that add to the cost of care.

- Ensure that payment reform also leads to a right-sizing of health care infrastructure. Realigning our payment system to reward value should result in a movement away from our current system which encourages large investments in infrastructure by providers in order to deliver high-margin services.
- Efforts that will lead to greater value through increased efficiencies. Health care providers should incorporate proven business practices that will provide greater efficiencies, not only in the care they deliver, but also in the management of their business. For example, some providers have incorporated Lean Management principles to achieve greater efficiencies and provide greater value.

## Reform Insurance

Make rates more predictable and stable. Our current insurance market leaves employers susceptible to double-digit premium increases. In addition, the market is currently structured so that individuals purchasing health insurance don't have access to the same tax advantages as those who are insured through their employers. A functioning individual insurance market would provide employers with a choice of offering specific insurance programs for their employees to help with recruitment and retention of employees, or help employees purchase coverage in the individual market through compensation and administrative supports.

The Minnesota Chamber supports:

- Comparable insurance coverage and tax fairness for individuals. Individuals do not have access to a tax deduction or tax credit for purchasing health insurance. Individuals should have access to the same tax benefits as those covered in the group market. Until there is action on the federal level, creation of a Health Insurance Exchange is one mechanism to help facilitate fairness for those who are employed but do not have employer-sponsored insurance.
- The following recommendations are with respect to the Minnesota Comprehensive Health Association (MCHA), the state's high-risk pool:
  - Itemizing the amount of premium in dollars attributed to the MCHA assessment and the premium tax on the health insurance monthly statement and yearly medical statement for those insured in the fully insured market.
  - Not allowing terminated employees to qualify for MCHA simply because they cannot afford continuation or coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA). To this end, the regulatory interpretation by the Department of Commerce of Minnesota Statutes 62E, should be clarified so terminated employees must show evidence of rejection of insurance before qualifying for MCHA.
  - Ensuring MCHA rates do not compete and in no case are lower than rates in the private market. Premium rate increases for MCHA enrollees should be consistent with rate increases seen in the private sector based on comparable plan design.
  - A broader-based funding source for MCHA. The MCHA assessment accounts for more than 2 percent of premium for the fully insured market. The fully insured market is mainly made up of small- and medium-size employers and individuals.
- Mandatory quality reporting by health plans using a common tool. In addition to quality reporting by providers, it is important for purchasers to have uniform, comparable quality information on health plans to facilitate purchasing on value.
- Reviewing mandated benefits and other regulatory requirements. Coverage decisions should be based on evidence-based medicine, not the legislative process. Minnesota has 63 mandated benefits which add to the cost of health care for those in the fully insured market. We need to ensure that those mandates are reviewed and that they are determined by evidence-based medicine. A commission should be established to review proposed and existing mandates to assess the medical

effectiveness and scientific evidence as well as the effects on resource allocation and affordability of coverage.

- Reforming medical malpractice laws. There needs to be a balance that will allow for adequate protection of citizen rights while ensuring providers have protections that will reduce the practice of defensive medicine.
- Identifying and prioritizing opportunities to eliminate inefficient administrative functions that add costs but do not support competition.
- Eliminating regulatory requirements that discourage insurance product innovation and delivery. We need to encourage more options and choices for employers, employees and individuals.

### **Reward Health and Promote Wellness**

In order to lower health care cost trends, we should promote the use of proven primary and preventive care. Effective primary and preventive care, based on strength of evidence and magnitude of net benefit, can prevent costly procedures and hospitalizations and will make our people healthier, our communities stronger, and our businesses more productive.

We should promote the use and expand the availability of wellness programs in our communities. Smoking cessation, physical activity and nutrition are key factors in preventing obesity and many chronic diseases. Wellness programs available through health plans, health care providers, employers, schools and many other organizations are focused on these factors. A competitive marketplace has developed around wellness and, with continued education and a proven return on investment for wellness programs, this market should continue to grow and thrive.

The Minnesota Chamber supports:

- Efforts that will support and promote effective primary and preventive care.
  - Follow accepted guidelines for preventive care endorsed by groups such as the Institute for Clinical Systems Improvement.
  - Educate individuals on the availability and benefit of primary and preventive services in their existing health coverage.
  - Ensure that public programs offer proven primary and preventive care coverage.
  - Create and promote appropriate incentives for individuals, both in public and private plans, to use primary and preventive services.
- Individual and community wellness.
  - Measure Return on Investment (ROI) of wellness programs.
  - Educate employers and other potential investors of the ROI of wellness efforts.
  - Coordinate forum for wellness best practice-sharing, mentoring, education, etc.
  - Educate the public about availability of existing wellness programs.

### **Health IT**

Health care is one of the few industries that has not widely implemented information technology. Information technology presents an enormous opportunity for improving care. An infrastructure where information could be easily shared would improve quality and reduce medical errors; decrease costs by

improving efficiencies, reducing medical errors and coordinating care; and, improve provider/patient decision-making.

The Minnesota Chamber supports:

- Development and implementation of a statewide IT protocol for computerized information sharing that aligns with the national standards. We need a coordinated and uniform way to share clinical data among providers to improve quality of care, increase patient safety and utilize our health care dollars better – i.e. not perform the same test at multiple sites.
- Incentives for adoption of IT. Adoption of Health IT is expensive and cost prohibitive in many cases for both hospitals and smaller independent clinics. The Chamber supports incentives to help transition to this technology.
- Making Personal Health Records portable and available for all Minnesotans. Personal health information is currently fractured. Many times pertinent health information is in the hands of multiple providers who have treated the consumer over a lifetime instead of in one location. With access to a personal health record, consumers would be able to give their providers information that can improve their care, prevent duplicate tests, and help consumers play a more active role in their care. Personal health records should be secure and comply with established medical privacy guidelines such as HIPPA and integrate with existing health IT structures.

## **BUSINESS IMPACT**

Minnesota is a national leader in health care. We have the lowest rate of uninsured (7 percent), a high, although shrinking, rate of employers offering insurance (63 percent), and a relatively healthy population. As we watch other states' health care reform efforts, they are often just beginning to catch up to Minnesota.

However, our health care system in Minnesota and the United States is far from healthy. We are not getting the best value for our health care dollars. The Institute of Medicine estimates that 50,000 to 100,000 people die every year due to medical mistakes in hospitals. A RAND study found that only 50 percent of patients received recommended care regardless of socioeconomic status. According to a report released by the McKinsey Global Institute in January 2007, our health care system is higher in cost and lower in quality than most other Organization for Economic Co-operation and Development countries. We spend \$477 billion more than peer countries on health care, even after adjusting for our higher per-capita income levels.

The McKinsey report points to the fact that our health care system does not provide incentives for patients and consumers to be value-conscious in their demand decisions as one of the main reasons for the high cost of health care in the United States. Services are provided and priced in ways that are unintelligible to consumers which prevents cost and quality comparisons in a manner that would be meaningful. Consumers remain divorced from the cost of health care, mainly insulated by third-party payers.

In addition to the wrong incentives on the consumer side, there are perverse incentives on the provider side. Our system rewards quantity of services over quality of services with economic disincentives to improve care and no accountability for results. Today, bad outcomes result in increased revenue for providers. Avoidable admissions generate revenue for doctors and hospitals. Complications require additional care generating additional provider income. In the current system, providers who invest in improvements in care actually face economic ruin. For example, St. Mary's Duluth instituted a heart failure program that reduced heart failure hospitalizations by 82 percent, length of stay by 81 percent, and emergency room visits by 88 percent. The hospital was rewarded with financial losses in our current system.

Employers continue to be the major source of health insurance for Minnesotans although cost pressures are causing a decline. Double-digit premium increases are squeezing employers. Employer-sponsored insurance dropped from 68.4 percent in 2001 to 62.9 percent in 2004. Workers without employer-sponsored coverage find themselves in a dysfunctional individual insurance market usually with no choice

but to purchase coverage through the Minnesota Comprehensive Health Association, the state's high risk pool, which, funded through insurance premiums, further drives up costs for employers offering insurance. State public programs are facing the same cost pressures as well as increasing enrollment. Cost of health services and insurance coverage are continuing to grow faster than inflation, making our current health care system unsustainable for employers, individuals and public safety net programs.

Our current system is unsustainable. Change must occur and the Minnesota Chamber believes that a market-based system that engages consumers, aligns purchasers, and reorients providers and insurers to find and deliver market-driven efficiencies and permanent health care savings will create a sustainable system that provides higher quality care at a lower cost.