

LISTENING TO MINNESOTANS: TRANSFORMING
THE MINNESOTA HEALTH CARE SYSTEM



**Preliminary Recommendations from the
Minnesota Citizens Forum
on Health Care Costs**

FEBRUARY 6, 2004

BACKGROUND

A CRISIS OF AFFORDABILITY. The average Minnesota household pays **\$11,000** per year in taxes, premiums, and out-of-pocket costs for health care for themselves and others. If costs continue to grow at the current rate, the cost per household will reach **\$22,000** by the year 2010. Without a change, our health care system will be priced out of reach of most Minnesotans. Businesses are also being hit hard by the increasing health care costs. In the past four years, insurance premiums have grown **3½ times faster** than the state's economy and worker's wages. As health care costs continue to grow, employers have less money to spend on wage increases and other benefits for their employees. Rising health care costs are also breaking the back of the State of Minnesota's budget. Even if lawmakers held spending to 3% growth per year, by the year 2007 they will be forced to choose between cutting another 104,000 Minnesotans off government programs (based on the monthly cost of the average enrollee) or diverting millions of dollars away from education, roads, environment and other priorities in the state's budget.

PEOPLE PAY FOR HEALTH CARE. In our current financing system, people are in the dark about health care costs and excluded from most decisions about coverage and financing. Most Minnesota households pay less than a third of the cost of health care directly out of their own pockets. The rest is paid by employers and government in ways that are hidden from view. Even this money is actually coming out of people's pockets, they just don't realize it. Government uses our tax dollars for government programs and for health insurance for public employees. Employers pay their share of the health insurance premium using employee benefit dollars that might otherwise be paid to workers in additional wages or other benefits, and by building the cost of their share of health care premiums into the price of goods and services we purchase every day. For example, Ford Motor Company adds \$700 to the price of every car they make to cover the cost of health care premiums. Ultimately, people pay for everything and they should be fully informed and involved in decisions affecting their pocketbooks.

SERVING THE PEOPLE. Past efforts to keep health care affordable – from government price controls to managed care – have had at best only temporary success because they did not have public support. People felt the changes were forced on them by outside forces in a health care system they didn't trust. To have lasting success, control of the health care system must be given back to the people who use and pay for it. Minnesota has earned a national reputation for leadership and innovation in health care. That success has always come from the ability to listen to our citizens and to trust their collective judgment. The starting point must be the shared community values of Minnesotans, and the goal must be a health care system where the individual is in control of his or her own care and coverage.

LISTENING TO PEOPLE. At the request of Governor Tim Pawlenty, the Minnesota Citizens Forum on Health Care Costs (Minnesota Citizens Forum) spent the past three months listening to Minnesotans. Town hall meetings and informal listening sessions were held across the state. An online survey was developed to solicit information from those who were not able to attend the Town Hall meetings. Ideas sent by Minnesotans through the mail and the Internet were read. Surveys and other research on public opinion in Minnesota were studied. The Minnesota Citizens Forum worked with the Minnesota Board on Aging and the Minnesota Governor's Council on Developmental Disabilities to conduct a

survey of a representative sample of 800 Minnesotans. In the end, a surprising amount of agreement among Minnesotans was found about what they expect from the health care system and what they think should be done about rising costs.

MAJOR CHANGE IS NEEDED. There is a big gap between what people want and what the current system delivers. Many Minnesotans said that we will not be able to fix the health care system without making major changes. Isolated, band-aid approaches will not have lasting effect. They may even have the unintended effect of increasing health care costs further. Minnesotans are ready for change and willing to do their part.

WE ARE ALL IN THIS TOGETHER. Few of us can afford to pay the costs of a serious illness without insurance. We use a health insurance model to share the risk with others. In any given year, 20 percent will use no health care services while 1 percent will consume 27 percent of the health care dollars. By sharing the risk through insurance, we can afford health care when we need it. We count on the system to balance our individual needs with the needs of others in the system. The Minnesota Citizens Forum discovered that Minnesotans understand this concept and embrace it, but they have lost faith in the system's ability to do this fairly. They lack trust because they are left in the dark and do not have a say in important decisions. Restoring trust in the system is the key to making sustainable improvements that Minnesotans can support.

BUILDING ON EXISTING EFFORTS. Minnesota is a hotbed of nationally recognized leadership and innovation in health care. Our health care system has a strong climate of creativity, collaboration and commitment. Activities are already underway that take us halfway to our vision of how Minnesota's health care system should work. Our goal is to build upon these existing efforts rather than creating new ones. We want to create an environment to encourage collaboration among these different efforts to eliminate redundancies and capitalize on the ability to create successful new models for health care delivery.

COMPETITION IN A WELL-FUNCTIONING HEALTH CARE SYSTEM. The polarized, political debate between a "single-payer" government health insurance plan and a private, market-based health care system continues, in the mean time nothing changes and we slip deeper into the health care crisis. The Minnesota Citizens Forum looked to Minnesotans for the answer. We found that almost all Minnesotans agree on two fundamental principles: (1) they want a universal system where everyone gets the health care they need; and (2) they want a private sector health care system that offers as much choice as possible. Our recommendations will lead to a uniquely American universal health care system that promotes healthy private sector competition while assuring that the overall system serves the best interests of all Minnesotans.

A VISION FOR THE FUTURE. The vision is of a Minnesota health care system that delivers better health and equitable access to safe, high quality treatment at an affordable price. Everyone must do their part to realize the vision, including individuals, communities, those who work in the system, and those who finance it. We know that while some of these changes can be implemented immediately, many of the changes will require years of work and will succeed only if there is steady leadership from committed individuals.

GENERAL RECOMMENDATIONS

The current health system is very complex, but easy to describe what needs to be changed. We can drive a car without knowing exactly how the engine works. The following six recommendations require major changes, but by working together and building on existing efforts already underway, the job will get done.

- 1. PUT MINNESOTANS IN THE DRIVER'S SEAT.** Minnesotans should make the decisions about health care, both individually and collectively. Minnesotans need to define what the health care system should do as opposed to the system defining itself. There also needs to be a collective discussion on how to fund the system and what affordability means. Employers, HMOs, and health insurance companies should play a supportive role, but not the lead role. This may mean we will have to rethink what the marketplace should look like.
- 2. FULLY DISCLOSE COSTS AND QUALITY.** Minnesotans should be fully informed about health care costs and quality. As individuals, they should be able to compare the price and quality of health care providers and health plans in order to make informed decisions. As members of a community, they should know where the money goes, how it is used, who profits from it, and what quality and outcomes we are getting for our money.
- 3. REDUCE COSTS THROUGH BETTER QUALITY.** Many examples were given of how health care dollars are often wasted on ineffective treatments, mistakes, and poor quality care. By some estimates, 30 to 40 percent of our health care dollars are spent on ineffective and unnecessary care. Health care costs can be reduced by improving quality of care and eliminating health disparities.
- 4. CHANGE INCENTIVES TO ENCOURAGE HEALTH.** The current system does not reward individuals for healthy lifestyles, nor does it reward health care providers for improving their patients' health. The incentives should be changed to produce better health and outcomes.
- 5. ASSURE UNIVERSAL PARTICIPATION IN THE HEALTH CARE SYSTEM.** Minnesotans are strongly in support of a health care system where everyone has access to the health care they need. Coverage is an important part of financial access. The lack of sufficient health coverage results in poorer health, lack of preventive care, and delays in needed treatment, which eventually adds cost to the system. We must work together to eliminate barriers to the system whether they are financial, geographic, linguistic, or cultural. However, a universal system is not just about access and coverage, it is also about meaningful participation by both payers and individuals so we have a health care system in which everyone receives needed health care, including preventive care, at a cost they can afford.
- 6. REDUCE THE COST OF OVERHEAD AND ADMINISTRATION.** The complexity, duplication, and lack of accountability in the current system results in unnecessary costs for overhead and administration. Significant savings can be achieved by streamlining and standardizing administrative procedures and government regulations. New electronic technology offers an opportunity for further savings.

HOW TO GET THERE

7. **STATE LEADERSHIP.** The State of Minnesota can lead the way by changing the way the state carries out its role as purchaser, regulator and provider of health care services. A united health care purchasing and regulatory strategy that sets the example for the entire state is needed.
8. **BUYERS ALLIANCE.** With state leadership, consumers, employers and other buyers can be brought together to form a united front to get the leverage needed to drive major changes in the health care delivery system.
9. **PUBLIC/PRIVATE PARTNERSHIP.** Once consumers and buyers make it clear what they expect from their health care system, the health care industry will respond. An action-oriented, public/private partnership is needed to help the health care industry retool and work together to manage a seamless transition from the old way to the new way of doing things.

TIMELINE FOR FINAL REPORT

The Minnesota Citizens Forum report, scheduled for release by **February 23, 2004**, will contain detailed action steps for the six general recommendations, in addition to a plan of how to get there.

LEADERSHIP PANEL MEMBERS	
David Durenberger, Chair	Roger Moe
Peter Benner	Glen Nelson
Duane Benson	Karl Self
Jesse Bethke Gomez	Bob Senkler
Ray Christensen	Tom Swain
Joanne Disch	Chris Twomey
Al Fallenstein	Pamela Wheelock
Frances Gardeski	Colleen Wieck
Jeanne Lally	Douglas Wood