Transforming Healthcare

A Challenge From The Citizens Of Minnesota To Help Them Change Our Health Care “System”

Governors Council on Developmental Disabilities

Honorable David Durenberger
United States Senate, Minnesota, 1978 to 1995
The Citizen’s Agenda

- Perceived Problem
- Actions: Cost Containment by Government Policy
- The Real Problem
- Inside-out Reform – a set of actions to reduce that problem
Perceived Problem

Government Goal = Universal Coverage and Universal Access

Problem = “Universal coverage cannot be achieved without containing costs.”

-Hilary Rodham Clinton 1993
Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2001

- Health Insurance Premiums
- Workers Earnings
- Overall Inflation

NIHP Members
Rising costs require trade-offs

Health care cost increases

Propel strikes

University of Minnesota Clerical Workers Strike
October 22, 2003, Saint Paul Pioneer Press
Health Care Heights
Soaring Rates Leave Little Companies in a Bind
increase the number of uninsured,
Create opportunities for others

India’s New Coup In Outsourcing: Inpatient Care

Wall Street Journal April 26, 2004
And cause us to do things that don’t make economic sense
• Actions: Cost Containment by Government Policy
Health Care Costs

• 1970 $60 billion “crisis”
• 1992 $800 billion “crisis”
• 2003 $1.7 trillion “crisis”

Costs will double every 5 years!
The government proposed solutions for all of these crises...
“Americans always do what is right, but only after trying everything else.”

Winston Churchill
Silver Bullet 1
Cost Containment 1970s

Supply regulation

- Health systems agency (HSA)
- Certificate of need (CON)
- Hospital cost containment
Silver Bullet 2
Cost Containment 1980s

Price Regulation

• Medicare as policy reform
• Prospective pricing
  (DRG and RBRVS)
Silver Bullet 3
Cost Containment 1990s

Behavior Modification
• Managed care organizations
• Medicare + Choice
• MEDIS Groups=Data on docs
• Utilization Review

Managed Competition:
more management than competition
Managed Care
When insurance costs for a majority of people reach a certain level, politics demands a shift of costs burden to medical consumers.
Two New Silver Bullets

Universal Coverage
• Single payer, private system

Consumer Driven Healthcare
• MSA, HSA, HRA
• High-deductible, catastrophic

Entitlement – vs - Responsibility
“When you come to a fork in the road, take it!”

Yogi Berra
Medicare Modernization Act 2003

- Social Security Privatization
- Medicare Advantage - vs - Single Payer
- Consumer Driven Health Care (HSA)
- Launched with costs-driving drug benefit, pay-offs to providers and big premium increases
Cost distribution of care

(Working Americans)

% of Healthcare Expenditures

0% total cost
10% total cost
30% total cost

% of People

0%
20%
40%
60%
80%
100%

20% of people
70% of people
Cost distribution of care

(Working Americans)

% of People

% of Healthcare Expenditures

0% total cost

10% total cost

30% total cost

1% of people

0% 20% 40% 60% 80% 100%

20% of people

70% of people
Cost distribution of care

(Working Americans)

% of People

% of Healthcare Expenditures

- 0% total cost
- 10% total cost
- 20% total cost
- 30% total cost
- 40% total cost
- 60% total cost
- 80% total cost
- 100% total cost

- 0% of people
- 1% of people

- 20% of people
- 70% of people
3. The Real Problem
The Best Health Care System in the World
Health Care Non-System

- Highly fragmented system/cottage industry
- Lacks even rudimentary information systems
- Unnecessary duplication
- Long wait times and delays
- Overuse of services
- Services delivered where the risk of harm outweighs the benefits
- Lacks “value” orientation

Institute of Medicine 2001 Crossing the Quality Chasm
Paradox
We spend $1.7 Trillion a year, but...

- Patient safety
- Employee safety
- Quality disparity
- Practice disparity
- Access disparity
- 17 years from discovery to practice
- Chronic illness
- Medical liability
- Professions shortage
- Capacity problems
- Obesity
- 3% GDP-
transaction costs
- 44 million uninsured
We need a paradigm shift in how we think about our “health care system”
20th Century Healthcare is Medicine-Focused

- Doctors/Nurses
- Hospitals
- Medical Technology
- New and More are Better
We are buying Volume rather than Value

We are paying so much more for technology specialty than for primary health and chronic illness prevention or delay and for procedural rather than cognitive services.
The delivery system lacks a quality and value orientation
Why?

“The American system developed under the shaping influence of incentives for private decision makers to expand and intensify medical services.”

Paul Starr, The Logic of Health Care Reform, 1994
What are we buying?

Lifetime difference in Medicare spending for a 65-year-old in Miami vs. Minneapolis is $50,000.

Lexus GS430 - $50,980
Why are we paying?

In the last six months of life, the percentage of people who visit the ICU:

- Miami 50%
- Minneapolis 22%
- Sun City, Arizona 15%

ICU and specialty use = 50% of Medicare costs

“If medicine were practiced in the rest of the country as it is in Sun City, you could at least extend the Medicare Trust Fund solvency for another 10 years.”

Jonathan Skinner
What are the results?

Misuse

57,000 people die each year because of omission – they don’t benefit from known therapies
-- NCQA

More people die each year from hospitals than from breast cancer or from automobile accidents.
-- IOM
Is there a better way?
21st Century Healthcare Needs to be Consumer-Focused Health Care
Community Examples

Supported Employment

Home and Community

Assisted Living
4. Inside-out Reform

A set of actions designed to reduce that problem over time.
Outside-In Reform 1974-2004

Managed Care Organizations

Patient-Provider Relationship

Insurance Companies

Employers

Third-Party Administrators

Government
Consider:

All health care is local.

The professional-patient relationship is at the core of all health care.
“When the pupil is ready, the teacher appears”

• Change can come from inside professional-patient relationship
• Practice will change policy
• Examples abound
• Leaders exist within professions. People are needed (community)
Leadership

National
Leadership

You and Your Community
The Minnesota Citizens Forum on Health Care Costs

- At the request of the Governor
- 18 Citizen Leaders
- Public dialogue and outreach
  - Town hall meetings
  - E-mails
  - Surveys
  - Written proposals
- Community values
Institute of Medicine
6 Aims for Improvement

- Safe
- Effective
- Timely
- Patient Centered
- Efficient
- Equitable
Minnesota Values
Health care that is...

• Accessible to all
• Fair
• Safe, high-quality care
• Personalized
• Promotes health
• Affordable
• Rewards personal responsibility
• Understandable
Put Minnesotans in the Driver’s Seat

- Consumer role in decisions about cost and quality
- Patient role in decisions about treatment
- Access to preventive care and services to manage chronic illness and disability
- Respond to community values
- Public participation
Key # 2

Fully disclose costs and quality

- Minnesotans in the dark
- Open up the black box:
  - Info on cost
  - Info on quality
  - Info to promote health
  - Info to manage health conditions
  - Info on health system financing
Key # 3

Reduce Costs through Better Quality

Currently: volume, not value

• What are we paying for?
• Wide variation in quality
• 30 to 40% ineffective or unnecessary
• Change payment incentives
• Report quality, safety, efficiency
• Priorities for chronic disease, disparity
• Productivity
Key # 4

Incentives to Encourage Health

- Build on Community and values
- Goal: improve health and behavior
- Reward people who live healthy lives
- Reward providers who improve health
- Home and community support services
- Public health and community health
- Tobacco user fee
Key # 5

Universal Participation

- Continue the commitment to coverage and access for all
- Short-term steps to improve access and prevent cost-shifting
- Participation: medically “lost,” new and old cultures
- Mental health, behavioral health, addiction
- Long term care
Key # 6
New Models of Health Care Education

Systems workforce needs
• Education capacity
• Reform the “guild” approach
• Inadequate preparation:
  • Growing diversity
  • New technology
  • Focus on better health
• New models needed
Key # 7

Overhead and Administration

• Unnecessary complexity
• Use electronic technology
• Insurance reform
• Alternative accountabilities
• Role of employers
• Change national payment policies
What’s new and different?

• Minnesotans are ready for change.
• Governor Tim Pawlenty will lead the health care system transformation.
• With the Governor’s leadership, we now have opportunities for innovation and collaboration that can make Minnesota the national leader in health system reform.
• Most healthcare organizations are now willing to take collective action.

“These recommendations will result in better care at a lower cost.”
What’s Next?
Governor Pawlenty’s Plans

The state of Minnesota will:

• Lead by example.

• Form a strong alliance with employers and other private health care buyers of health care to identify performance expectations.

• Work with private leaders to form a new public-private partnership around goals and strategies.

• Work with legislative leaders to convene a bipartisan working group to seek agreement on the public policy changes for the 2005 session.
Gov's 'health Cabinet’ flexing state muscle
Inside-out Reform in the Upper Midwest

How do we create a healthcare system that seeks improvement...

...a system in which product, practice, and organization are constantly evolving?
THE CHALLENGE:
How to hold the professional–patient relationship accountable for the value of healthcare

THE REWARD:
Community benefit not commodity benefit
• Change focus of healthcare decision making from health plans to health care system

• Providers must see quality as a collaborative effort not competitive

Wisconsin Collaborative for Healthcare Quality
Health System Reform

There’s no better place to start than here.

There’s no better time to start than now.
The mission of the Minnesota Governor's Council on Developmental Disabilities is to work toward assuring that people with developmental disabilities receive the necessary support: to achieve increased independence, productivity, self determination, integration and inclusion into the community.
Thank you