

This opportunity for health care reform cannot be missed

By Duane Benson and Peter Gove

For more than 25 years, the Citizens League has pushed for market reform through meaningful competition and universal access in the delivery of medical care. In 2006, we co-chaired a Citizens League study committee on medical facilities that independently reached some of the same conclusions as a 1981 Citizens League committee: namely that escalating health care costs are the result of a dysfunctional market and ineffective regulation. Our most important conclusion in 2006 was that we must build the proper information system for a market to function in medical care.

Based on this work, the Citizens League contributed to the Governor's Health Care Transformation Task Force. (Executive director Sean Kershaw was a member.) Legislation has been introduced – based on the Task Force work – that is focused on a comprehensive approach to health care reform, one that doesn't just address state law and regulation, but also identifies what providers, other organizations and citizens need to do to transform the health care system.

Legislative authors – Sen. Linda Berglin (SF3099) and Rep. Tom Huntley (HF3391) – and Governor Pawlenty are on the same page in most respects of the reform efforts because of the work of the Transformation Task Force, and passing comprehensive reform is a real possibility. We urge these leaders to keep working on a comprehensive solution this session.

Competition in the medical care market should no longer be focused on insurance companies and employers, who act as proxies for medical care delivery. The fundamental change that health care reforms must achieve is true provider competition to deliver the best care for the maximum health of the population served.

Here are the three things that we think must occur for meaningful reform.

- The development of an information system that supports decisions based on value
- Payment reform based on “total cost of care”
- Governance structures that set the ground rules for a functional market, but don't over-regulate

It starts with information

Intertwined throughout the current legislative proposals are the building blocks for the information system that must be developed to support informed choices when it comes to medical care. This is the only way for consumers to make decisions based on the *value* of the care provided.

For example, providers would be expected to implement and use electronic medical records systems as a condition of payment. Statewide standards for electronic medical records would be developed and established. Without these steps, finding out where the best value is in our medical care system is next to impossible.

Value determinations would be based on the results a provider produces for similar groups of patients. The legislation would set up a Health Care Value Reporting Committee that would not be a government agency, would be publicly accountable, and would be made up of professionals in the medical field.

Payment reform must be based on “total cost of care”

The key concept in payment reform from the Transformation Task Force work is something called total cost of care. Today, much of our medical care is paid for based on the number of specific procedures or services provided. Providers are reimbursed more for treating illnesses than for helping patients take the necessary steps to prevent illnesses. These incentives are actually counter to focusing on population-wide health.

To change these incentives, we must move away from paying for procedures toward paying for population health. This is a difficult proposition, but must be done. Providers must compete to provide health care for the groups they serve based on the condition of that group. How effective a provider is at keeping a group healthy and responding to medical needs in the most cost-effective way will determine how much value they deliver – and how much they earn.

Government must play a role in establishing the governance structures

There will never be a functioning market in medical care without government setting the rules for it to occur. Despite laudable efforts at better information by health care providers in recent years, there is no way to construct a “consumer report” on who is best at keeping people healthy and responding to their medical needs in the most effective and cost-efficient way. That is why we think that the Health Care Value Reporting Committee in current legislation, along with the total cost of care payment reform, is absolutely essential for meaningful reform.

Having government set up the ground rules, however, does not require that government run the system. We think that would go beyond the needed transformation and potentially damage a health care system that is currently excellent in many ways.

Universal access is within our grasp

Minnesota already has the structures in place to provide the means for universal access. Minnesota Care was established in 1992 and included a provider tax to help pay for universal access. With 93 percent of the population insured, we must make sure that affordable health care is available to those in that final 7 percent who cannot afford insurance. There will always be some who choose to remain uninsured even though they can afford it, and we are unconvinced that mandatory enforcement will be cost-effective.

The Health Care Access Account, which is made up from the proceeds of the provider tax, is an area of the state budget that is currently running a surplus. Rather than enacting new taxes and fees to pay for greater access or diverting that revenue to other budget needs, the Health Care Access Account should ensure affordable access for all as other reforms move forward. Although budget realities will make that difficult to achieve in 2008, it must be the direction we set now for the next budget cycle (2009-2010).

Is this a crossroads for market reform in medical care?

Establishing a functional market in medical care will not happen overnight, and political reality dictates that we honestly ask the following question: if there is not the political will today to implement these three measures – an appropriate information system, total cost of care payment reform, and a governance structure that sets the appropriate ground rules for success – is the time for developing a functioning market in medical care over?

If the answer is yes, then we are left with only regulatory approaches in an attempt to control costs and provide quality, and anything that would have a chance of being effective would have to be much stronger and more comprehensive than the old approaches. A much more government-centered health care system would need to be re-examined if the existing forces in health care are unwilling to develop the basics for a functional market.

The other option is to do nothing as costs spiral out of control from ever increasing technological advances that are not governed by market forces. Without the benefits of meaningful competition, suppliers will naturally oversupply the most profitable technologies and services which will not be judged on value. This is unacceptable in our view.

Overcoming the politics

For certain, the reforms will upset the status quo in the medical care industry as it is a supplier-driven industry without sufficiently informed consumers. Most of us base our medical decisions on the level of coverage provided by insurers or the best package offered by an employer (if one exists) and have no way of determining the value (quality and cost) of our medical care providers.

Some think that the legislation based on the Transformation Task Force work is an over-wrought government solution. Others think that government needs to step in more strongly and set up a single-payer system. They are both wrong in our view. Government must take some extraordinary steps to support a functioning market, but the key will be that government not run the system, but will require the information and payment structure for true competition based on value-based decision-making.

Minnesota offers wonderful options in medical care in many instances, but we know that a functioning market where decisions can be based on the best value will support a healthier population and make our medical care consistently better and more affordable for all.

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