

# **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**

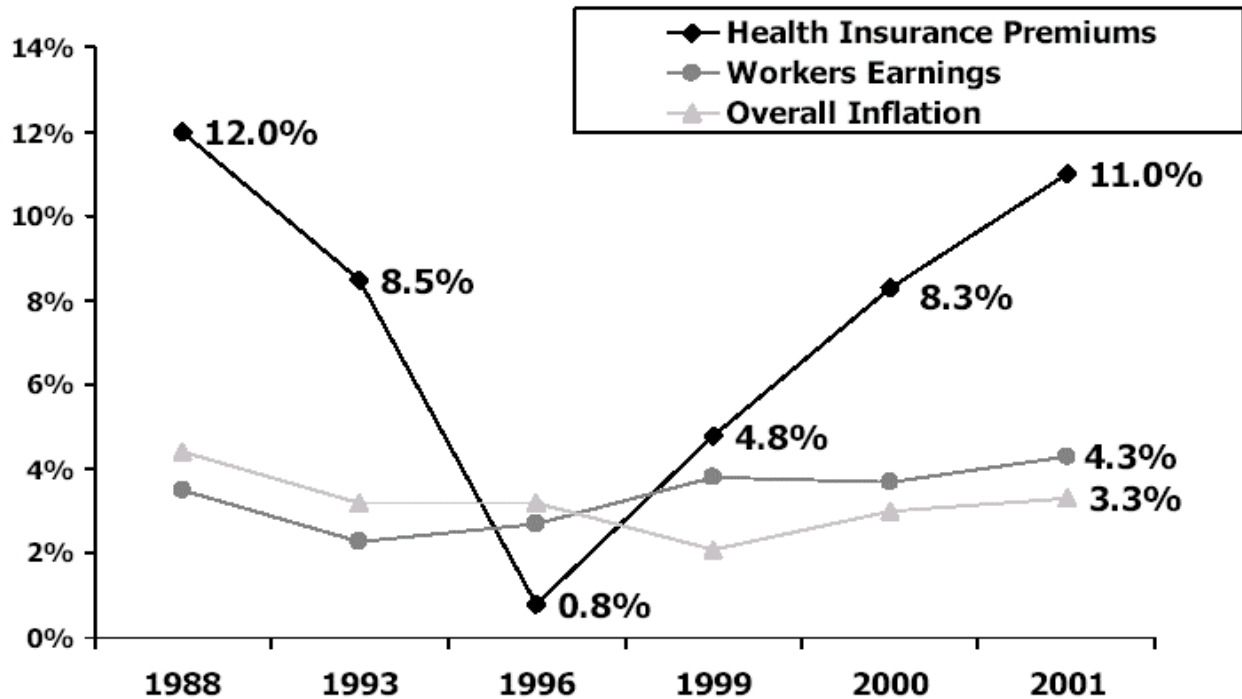
**Government Goal** = Universal Coverage  
and Universal Access

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

*-Hilary Rodham Clinton 1993*



## Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2001

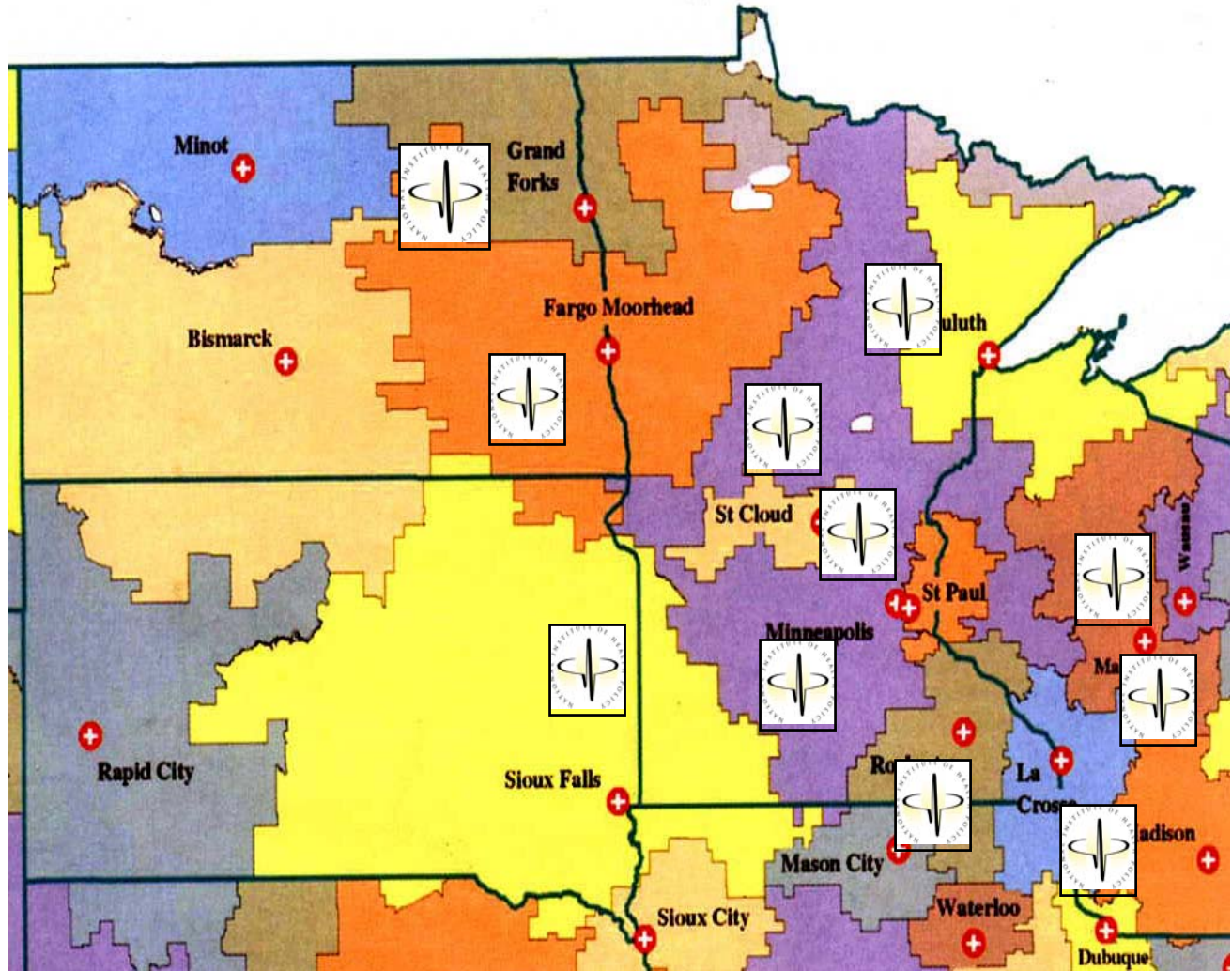


Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996





# NIHP Members



# Rising costs require trade-offs



Editorial, *Minneapolis Star Tribune*, March 31, 2002

# Health care cost increases

## Propel strikes



University of Minnesota Clerical Workers Strike  
October 22, 2003, *Saint Paul Pioneer Press*



A SPECIAL SECTION

# Small Business

---

*The New York Times*

## Health Care Heights

---

Soaring Rates Leave  
Little Companies in a Bind





# increase the number of uninsured,

Cover The Uninsured Week • March 10-16

Her mom gets cancer. They find the tumor early. Her mom is OK. **<OR>** Her mom gets cancer. She's diagnosed too late. Her mom is gone.

**When you're uninsured, life turns out differently.**  
 There are 41 million Americans with no health insurance.  
 March 10-16 is *Cover The Uninsured Week* in your community. Get involved—and help get America covered.

**CoverThe UninsuredWeek**  
[www.CoverTheUninsuredWeek.org](http://www.CoverTheUninsuredWeek.org)

U.S. Chamber of Commerce • AFL-CIO • The Business Roundtable • Service Employees International Union • Healthcare Leadership Council • American Medical Association • American Nurses Association • Health Insurance Association of America • Families USA • Blue Cross and Blue Shield Association • American Hospital Association • Federation of American Hospitals • Catholic Health Association of the United States • AARP • United Way of America • The California Endowment • W. K. Kellogg Foundation • The Robert Wood Johnson Foundation

Cover The Uninsured Week • March 10-16

His dad has heart trouble. His dad gets the care he needs. His dad is OK. **<OR>** His dad has heart trouble. His dad can't afford the treatment he needs. His dad is gone.

**When you're uninsured, life turns out differently.**  
 There are 41 million Americans with no health insurance.  
 March 10-16 is *Cover The Uninsured Week* in your community. Get involved—and help get America covered.

**CoverThe UninsuredWeek**  
[www.CoverTheUninsuredWeek.org](http://www.CoverTheUninsuredWeek.org)

U.S. Chamber of Commerce • AFL-CIO • The Business Roundtable • Service Employees International Union • Healthcare Leadership Council • American Medical Association • American Nurses Association • Health Insurance Association of America • Families USA • Blue Cross and Blue Shield Association • American Hospital Association • Federation of American Hospitals • Catholic Health Association of the United States • AARP • United Way of America • The California Endowment • W. K. Kellogg Foundation • The Robert Wood Johnson Foundation



# 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...





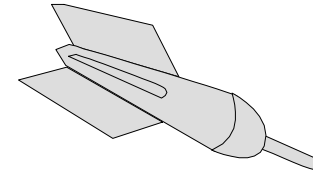
***“Americans  
always do  
what is right,  
but only  
after trying  
everything  
else.”***

**Winston Churchill**

# Silver Bullet 1

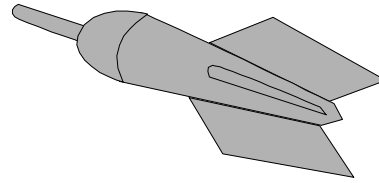
## Cost Containment 1970s

*Supply regulation*



- **Health systems agency (HSA)**
- **Certificate of need (CON)**
- **Hospital cost containment**





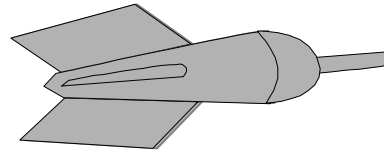
# Silver Bullet 2

## Cost Containment 1980s

### *Price Regulation*



- Medicare as policy reform
- Prospective pricing  
(DRG and RBRVS)



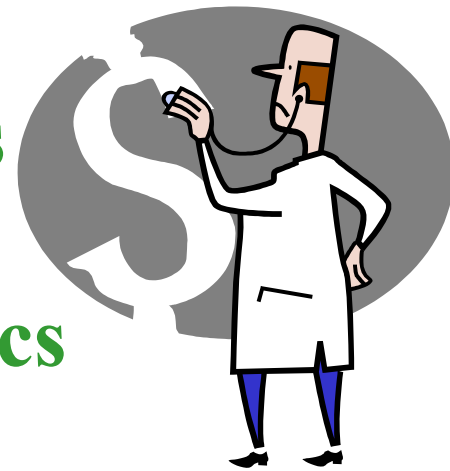
# Silver Bullet 3

## Cost Containment 1990s

### *Behavior Modification*

- **Managed care organizations**
- **Medicare + Choice**
- **MEDIS Groups=Data on docs**
- **Utilization Review**

*Managed Competition:  
more management than competition*

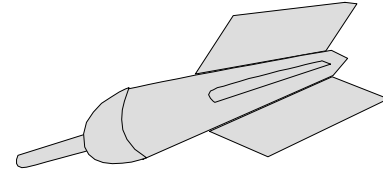
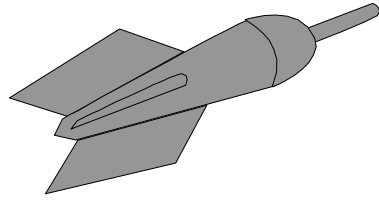


# Managed Care



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

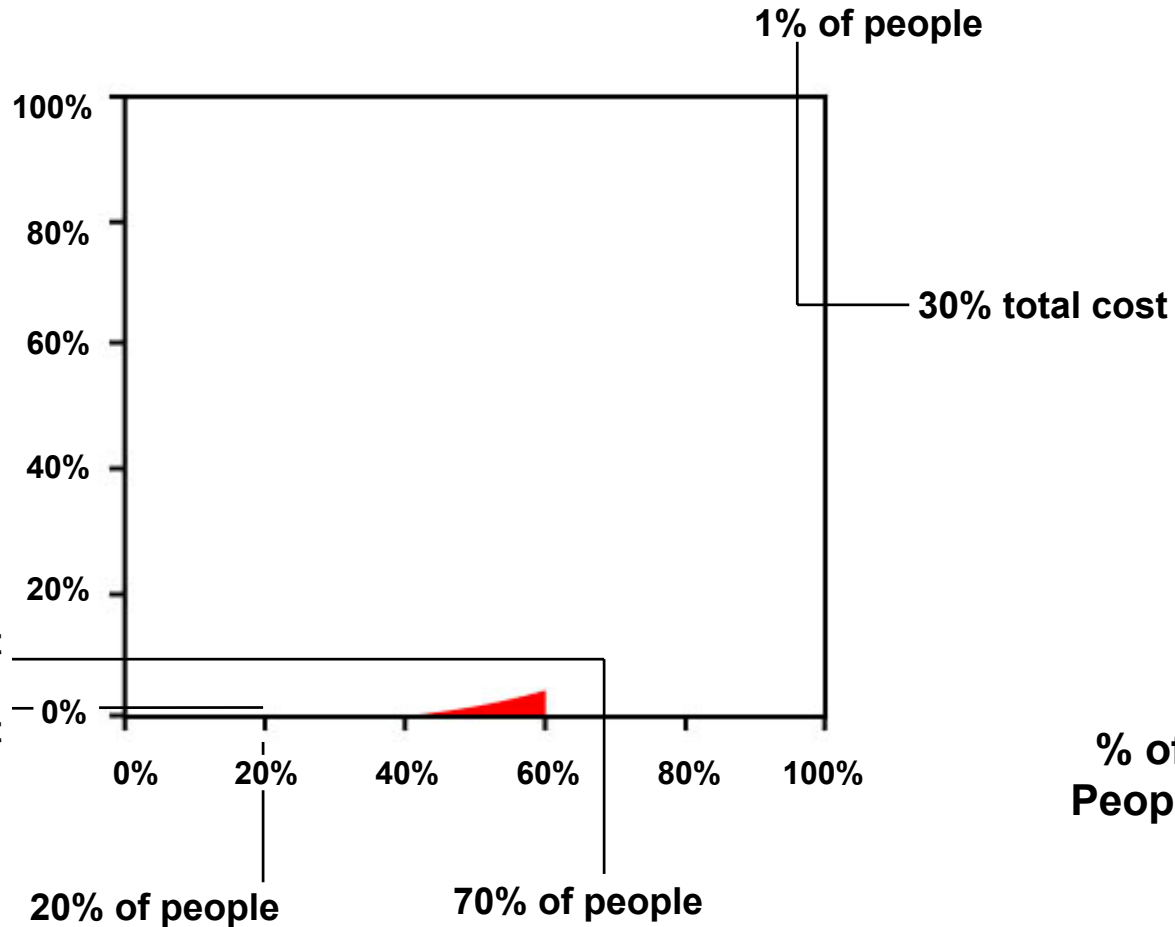
## (Working Americans)

**% of  
Healthcare  
Expenditures**



10% total cost

0% total cost





# Cost distribution of care

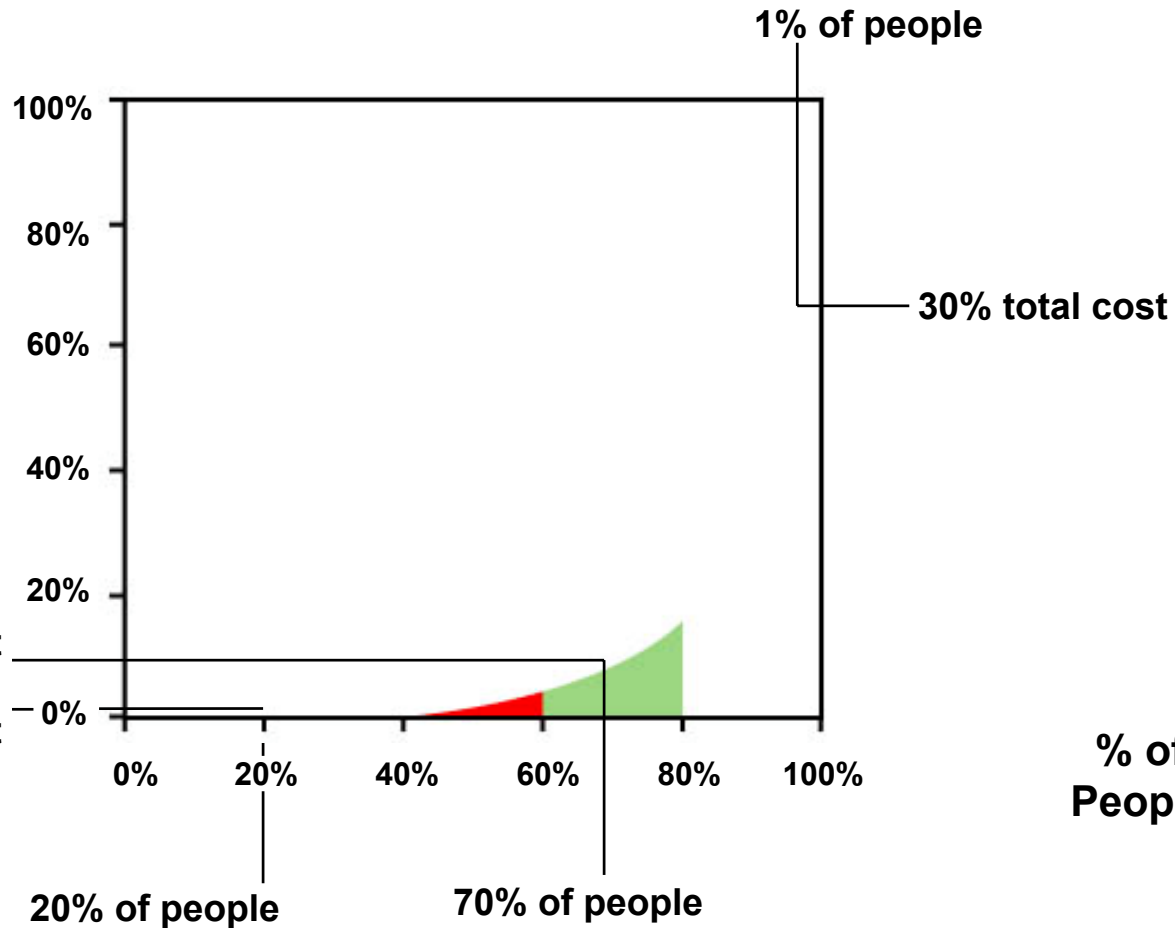
## (Working Americans)

**% of  
Healthcare  
Expenditures**



10% total cost

0% total cost



**% of  
People** 



# Cost distribution of care

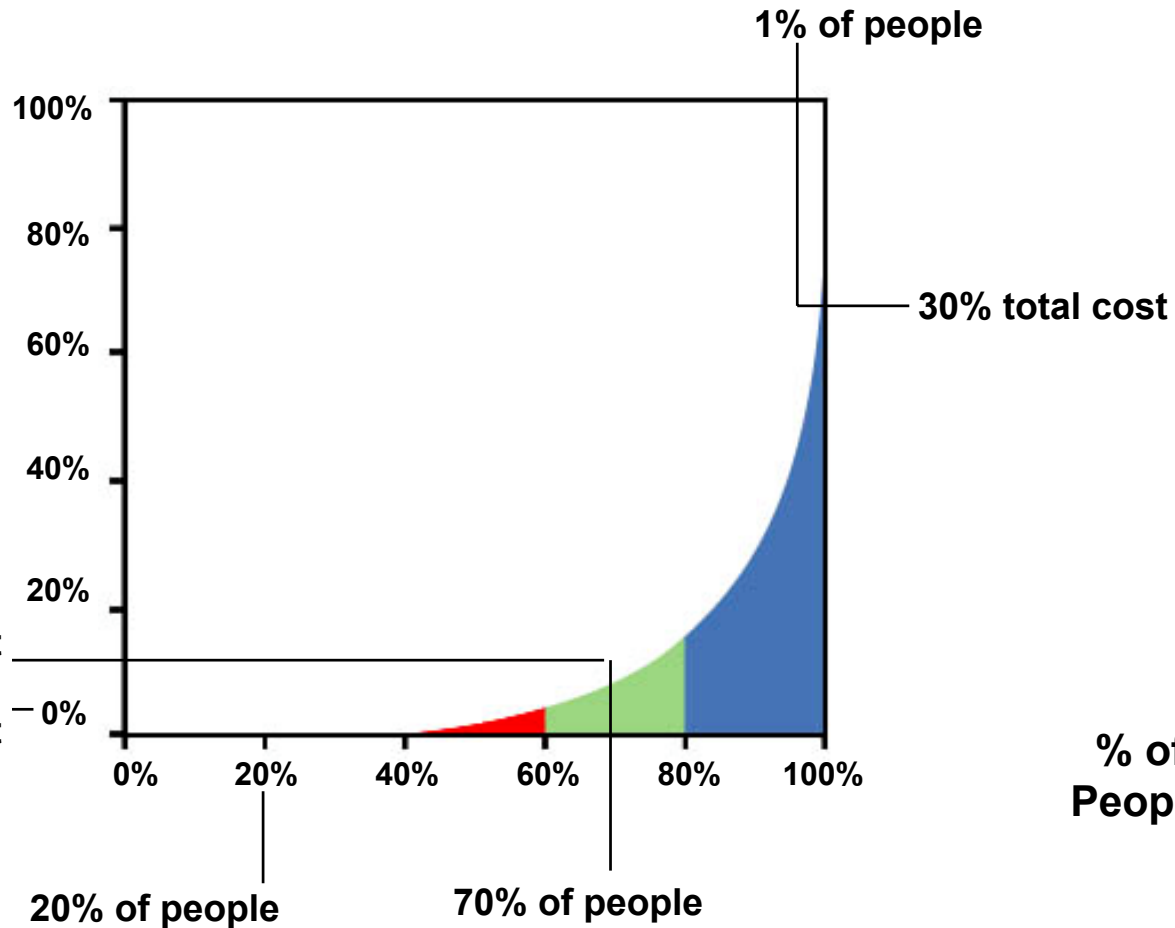
## (Working Americans)

**% of  
Healthcare  
Expenditures**



10% total cost

0% total cost



**% of  
People** 

# 3. The Real Problem

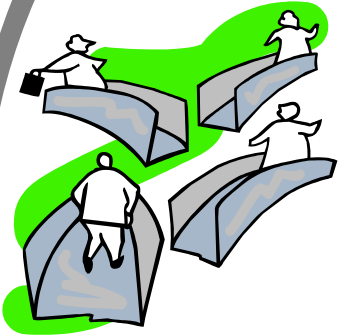


# The Best Health Care System in the World



# 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**



# 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”**



# 20<sup>th</sup> 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



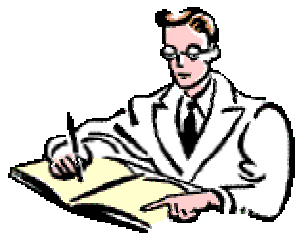
Assisted Living

# 4. Inside-out Reform

A set of actions designed to reduce that problem over time.



# Outside-In Reform 1974-2004

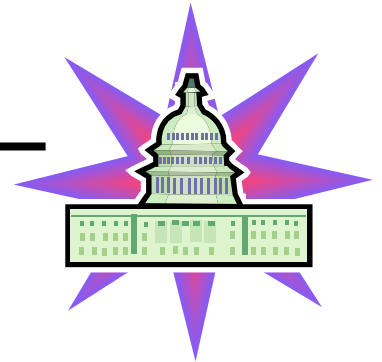


**Managed Care Organizations**

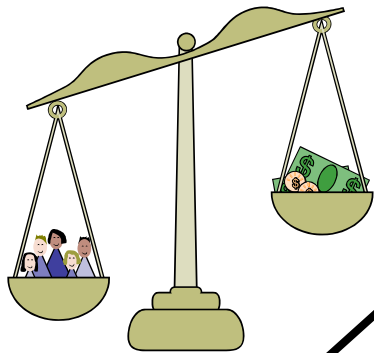
**Insurance Companies**



**Patient-Provider Relationship**



**Government**



**Employers**



**Third-Party Administrators**



# 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



# 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**



# Minnesota Citizen's Forum



## 7 Keys



### **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.



# EDITORIALS

HEALTH CARE COSTS

## Gov's 'health Cabinet' flexing state muscle

**ST PAUL** PIONEER PRESS

May 16, 2004



# **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*



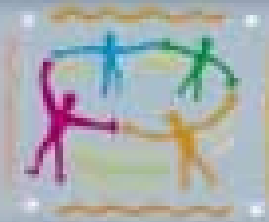
# Health System Reform

**There's no better place to  
start than here.**

**There's no better time to  
start than now.**



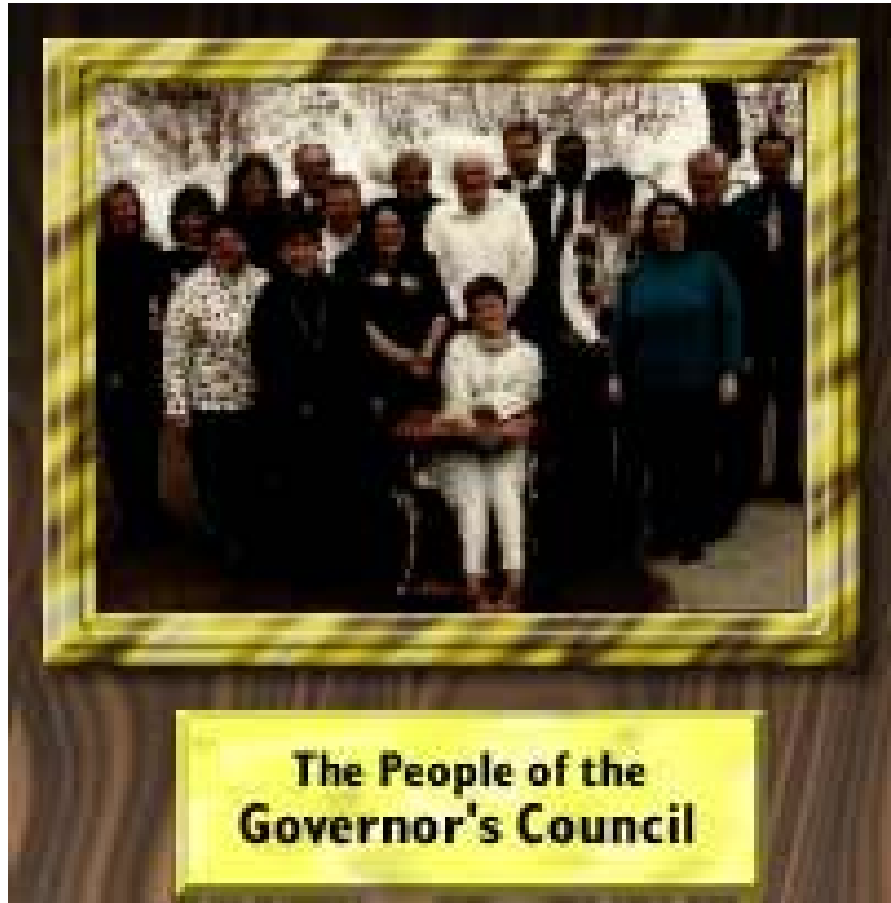




## The Minnesota Governor's Council On **Developmental Disabilities**

*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*

