

# Minnesota Hospitals

Striving to Maintain Our  
High Quality & Lower Costs



**Mary Krinkie**

Vice President, Government Relations  
Minnesota Hospital Association



*Minnesota Hospital Association*

[www.mnhospitals.org](http://www.mnhospitals.org)

Health Care Cost  
Legislative Study Group

Feb. 11, 2014

# America Spends Less on Food Than Any Other Country

## The Poor Spend a High Percentage of Their Income on Food

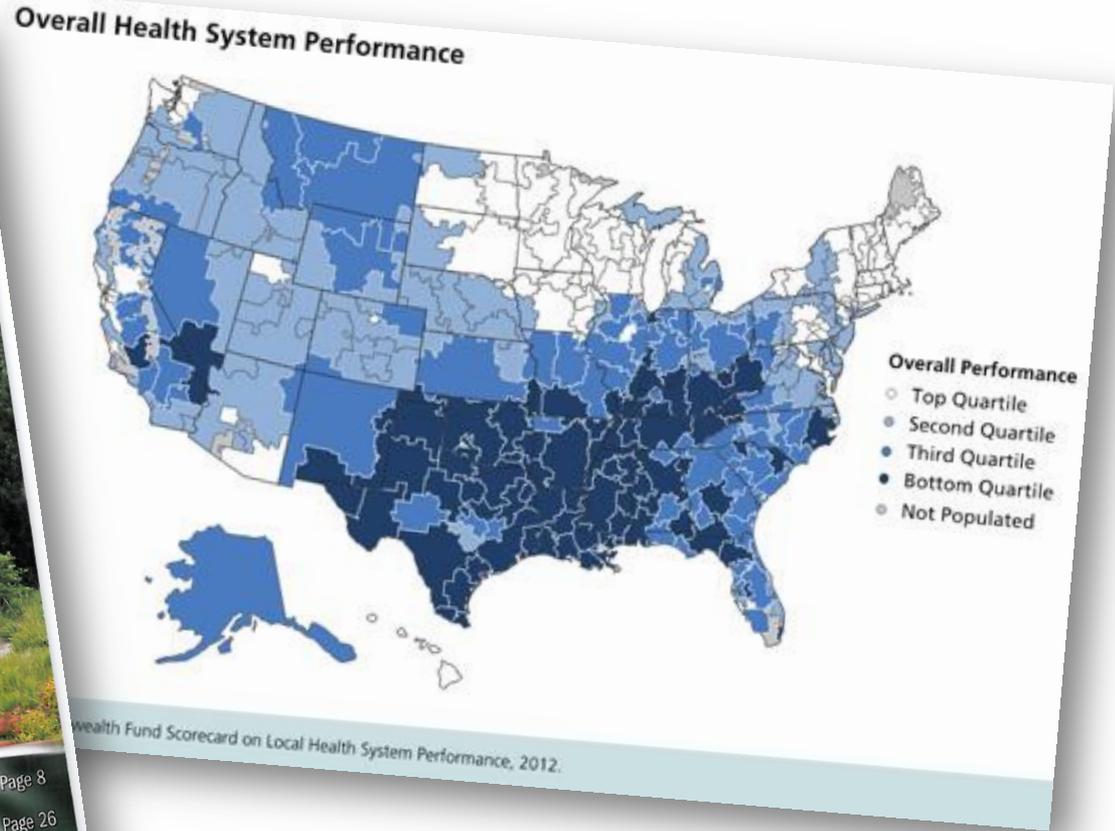
*Average total household expenditure*

*Percent of household expenditure spent on food*



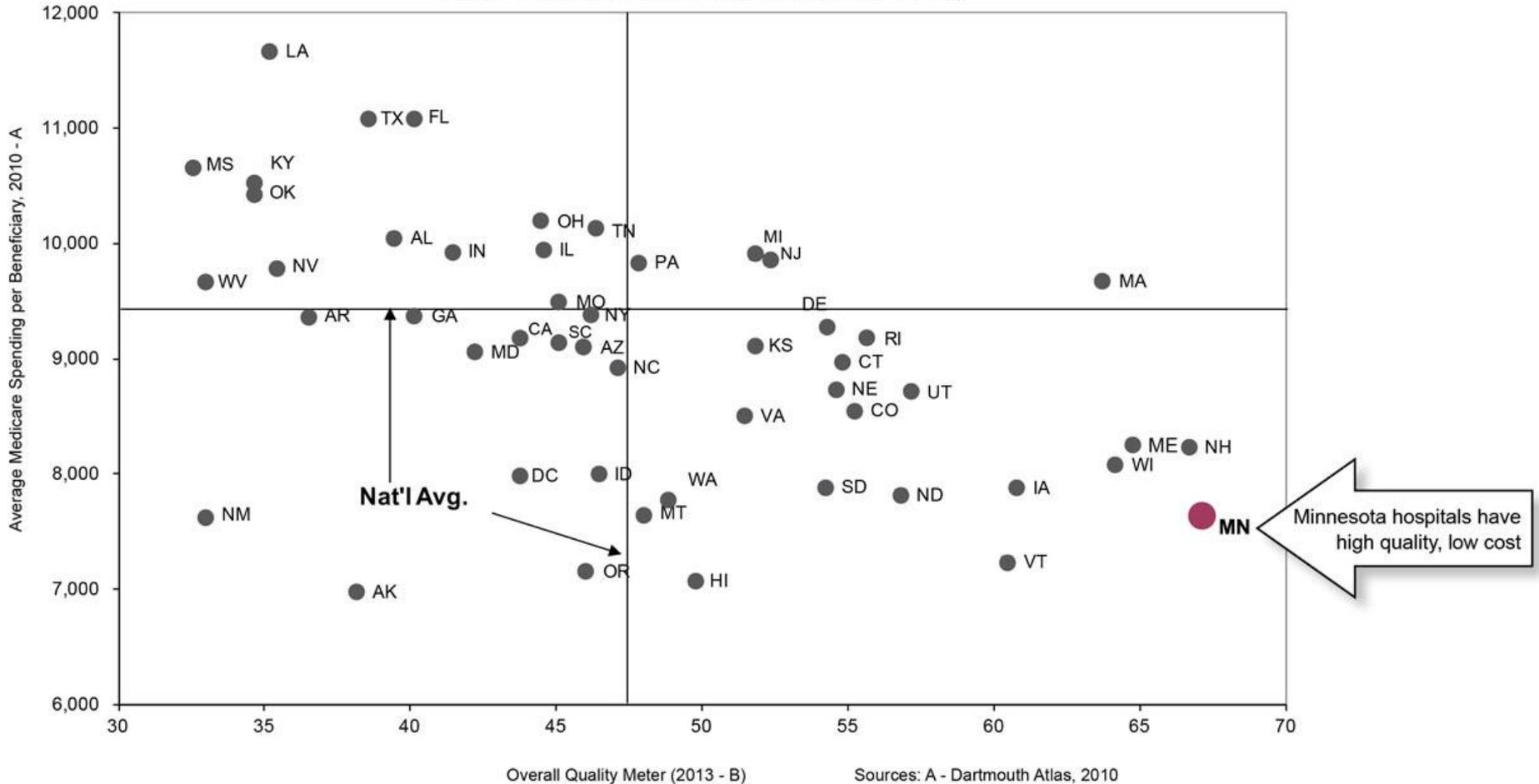
Sources: World Bank 2009; U.S. Department of Agriculture 2009; Euromonitor International

# Where we are starting from: MN's high-performing health care system



# Value Comparison by State

Value Comparison by State (updated 12/13)

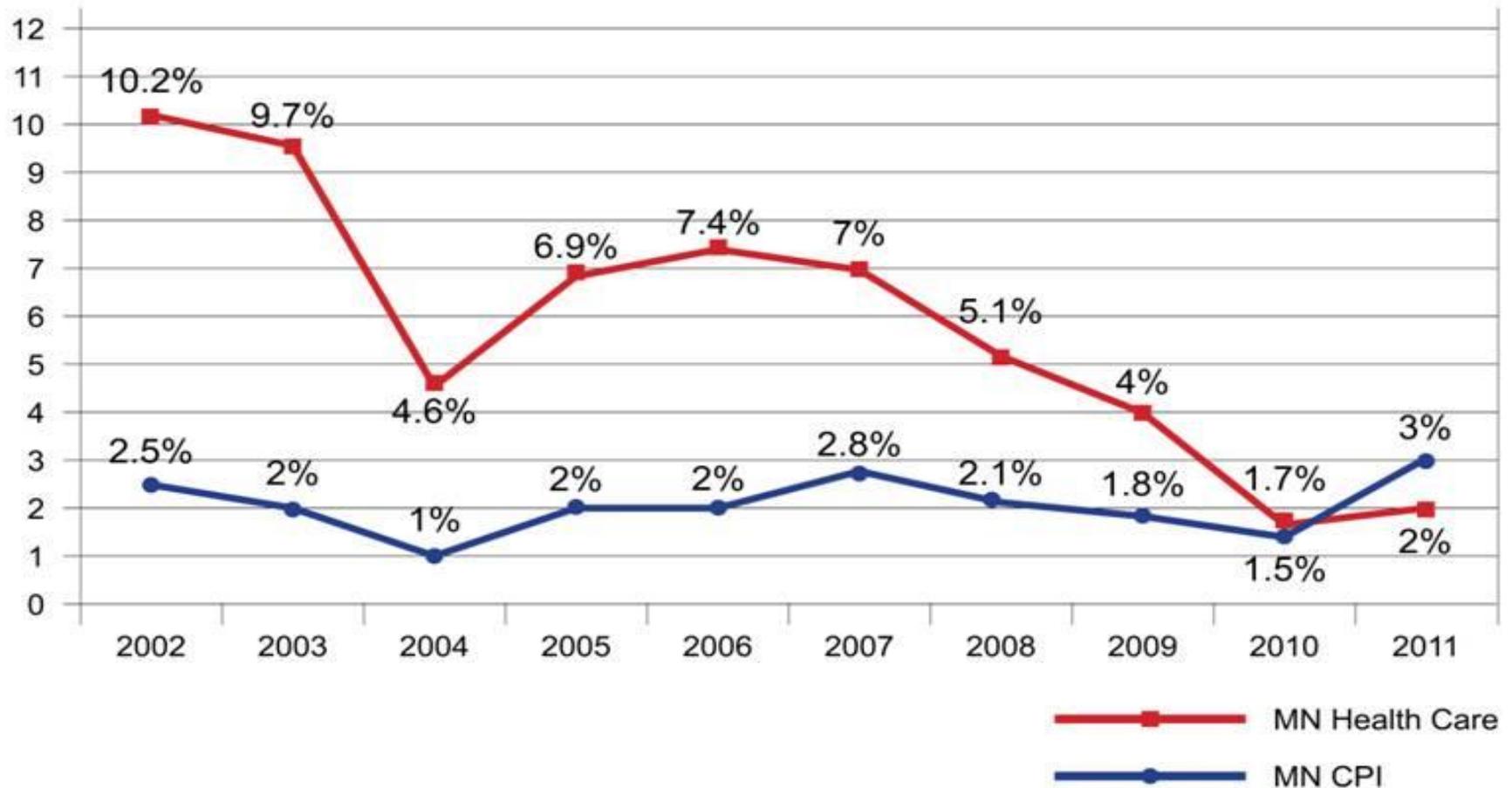


Sources: A - Dartmouth Atlas, 2010  
B - 2011 NHQR State Snapshots, Dec. 2013

Minnesota hospitals have high quality, low cost

# Bending the Cost Curve

MN Health Care Spending Growth Rates and MN CPI Growth Rates (percentages)



# MN's Health Care Spending (Key findings from 2011)

- Health care spending rose just 2% from 2010, marking the second lowest annual growth for MN, since MDH began analysis in mid-1990s.
- Private spending remained nearly constant, declining by .3%, and public spending grew at a slow pace of 4.7% relative to historic trends.
- Per capita spending in MN reached \$7,145, well below the national per capita spending. (\$1,030 less than the national average.)
- Estimated actual spending excluding Medicare and long-term care in 2011 was \$1.9 billion below projections.

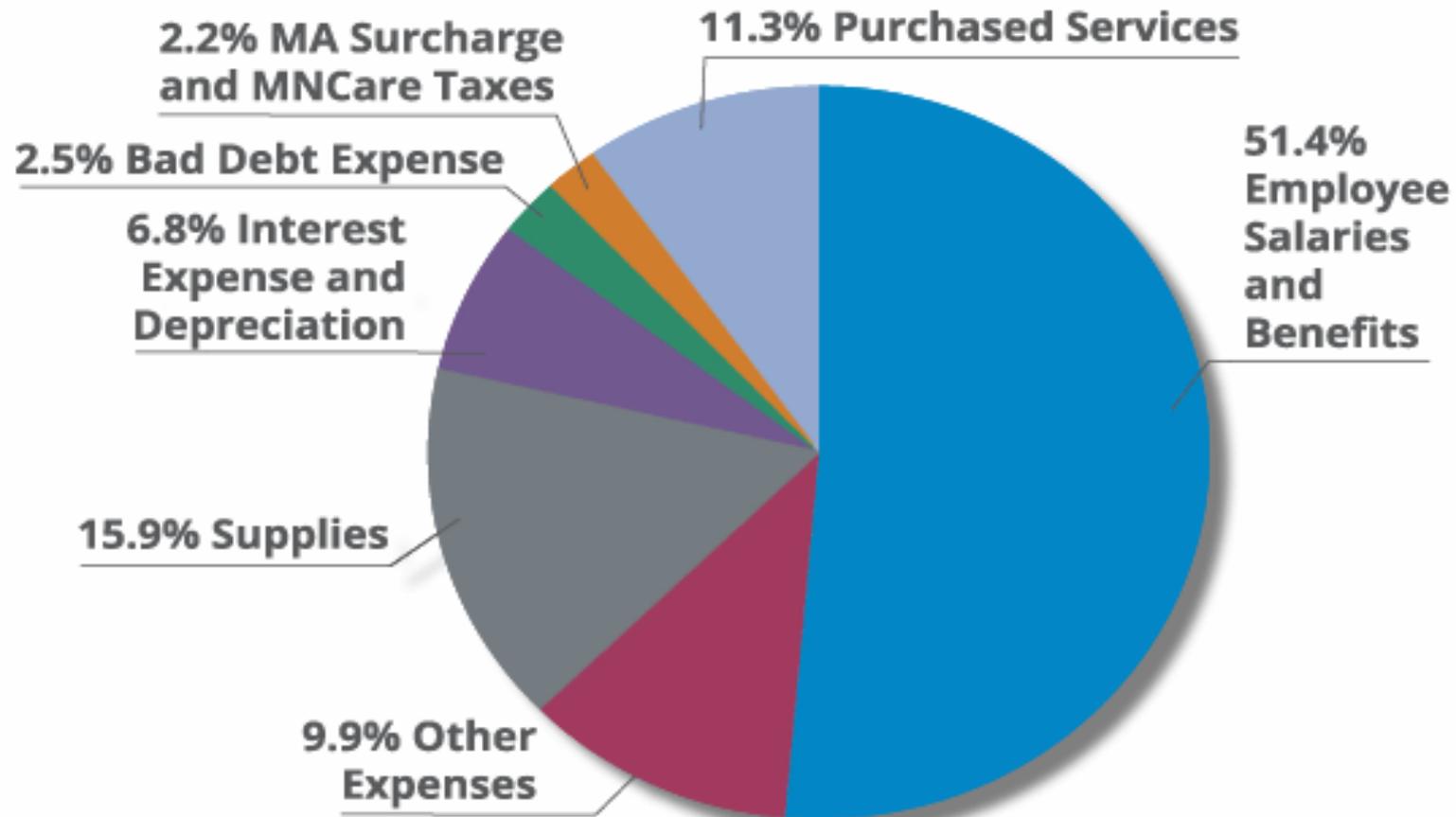
# MN's Health Care Spending (Key findings from 2011)

- The rate of growth in public spending remained virtually unchanged over 2010. At 4.7%, it was a “remarkable” 3% points below the average annual growth for the past decade.
- Public spending grew largely as a result of expanded enrollment, rather than increased per enrollee costs. Per enrollee costs actually fell for Minnesota's public programs in 2011.

**Costs = Price X Volume X Services**

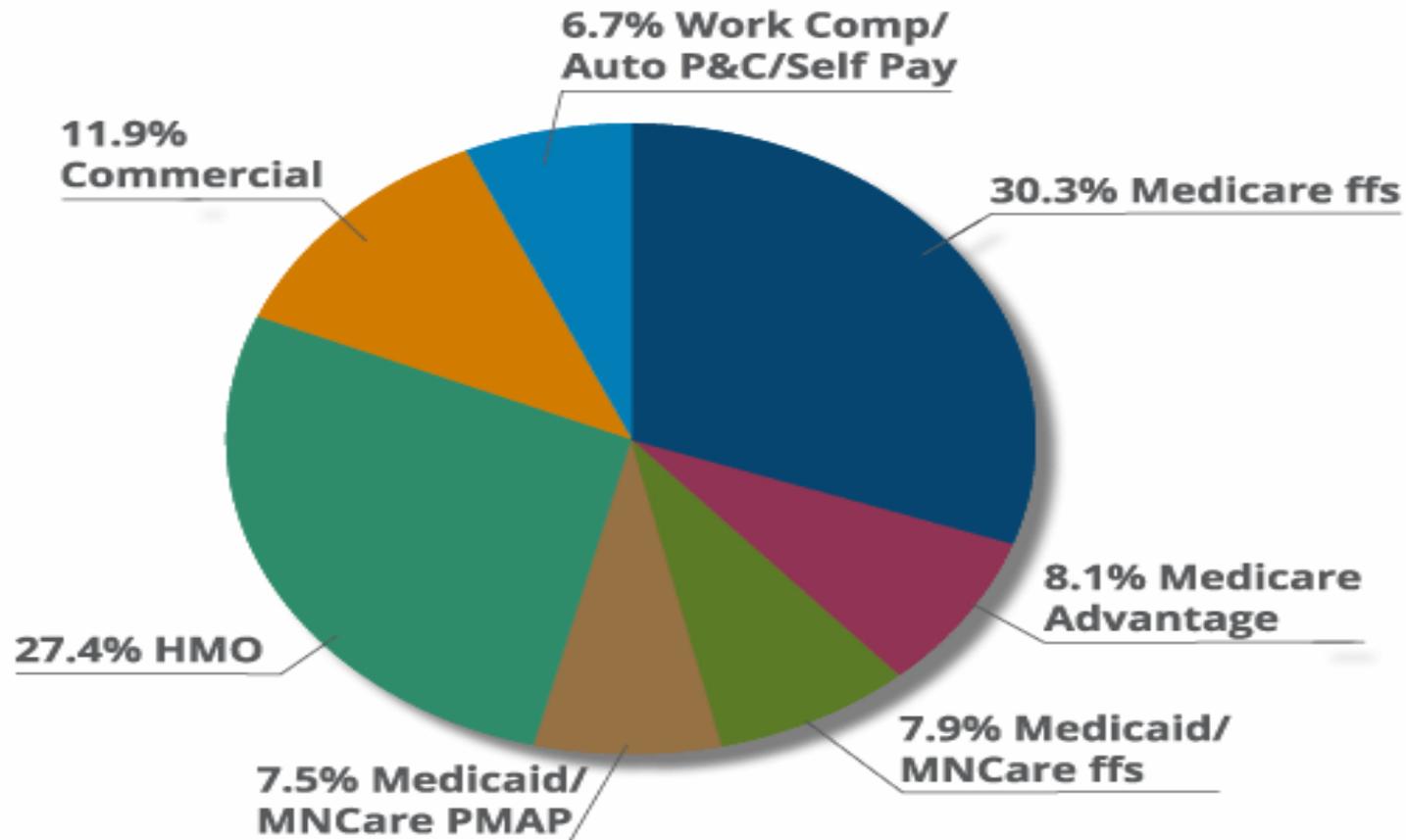
# Minnesota Hospital Costs

## Costs



# Hospital Financing

## Charges



# Minnesota's Medical Assistance Rates

- The old days -- the Boren Amendment. 1980 – 1997. Federal law required that payment rates for hospitals and nursing homes be “reasonable and adequate” to meet costs. (Repealed in 1997.)
- Regularly scheduled increases built into the state’s budget and a rebasing process.
- Rebasing last done in 2007, bringing rates up to 2002 costs. Previously imposed rate cuts, totaling minus 16.36 percent, apply to that rate.
- 2011 Session: Passed a “sun-setted” additional 10 percent cut and “budget neutral” rebasing, scheduled for January 1, 2013. Waiting.

# Medicaid ACOs: Health Care Delivery Systems

- Shared savings/shared risk demo projects within state public programs (Medicaid + MinnCare)
  - Voluntary process for providers to explore payment reform
  - Six organizations in HCDS demos so far
    - Allina/HealthPartners
    - Children's Hospitals
    - FQHCs in Twin Cities
    - CentraCare
    - Essentia
    - North Memorial
- Similar program in Hennepin County covers health care and social services
- More HCDS contracts and next RFP expected soon



# Health Care Home: Minnesota's medical home model

- 250+ clinics certified by the state
- Multiple payers participating
  - Medicaid
  - State employees
  - Medicare
  - Commercial
- Care coordination fee varies based on patient's chronic/complex conditions from \$10/month for 2 conditions to \$45 (Medicare) or \$60 (Medicaid) for 10 conditions



# Accountable Care Organizations: Medicare

- Seven MN-based Medicare ACOs
  - **Allina Hospitals & Clinics**
  - **Community Health Network (HealthEast)**
  - **Essentia Health**
  - **Fairview Health Services**
  - **Integrity Health Innovations**
  - **North Collaborative Care (North Memorial)**
  - **Park Nicollet Health Services**



# Recent Achievements

**Over the past two years, Minnesota hospitals have saved 7,000 patients from harm and \$58 million in health care costs.**

- 6,211 fewer hospital readmissions since 2009.
- An 83 percent reduction in pressure ulcers since 2010.
- Elective deliveries prior to 39 weeks gestation have declined by almost 90 percent.
- 512 falls have been prevented, a decline of 27 percent.
- 23 percent reduction in catheter-associated urinary tract infections.
- 28 percent decrease in central line-associated blood stream infections.
- 12 percent reduction in surgical site infections.
- 43 percent reduction in adverse drug events resulting in an INR>5, a measure of the time it takes for blood to clot.

# The precarious transition to payment reform



**Old Model: Health care provider gets paid more for providing more services**

**Health Care Providers**

**New Models: Pay for value, not volume**

- Value based purchasing
- Total cost of care contracts
- Bundled payments
- Health care home
- New focus — keep people healthy