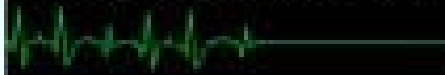


Health Care Reform

June 23, 2008

A CENTURY FOUNDATION BOOK

A SECOND OPINION



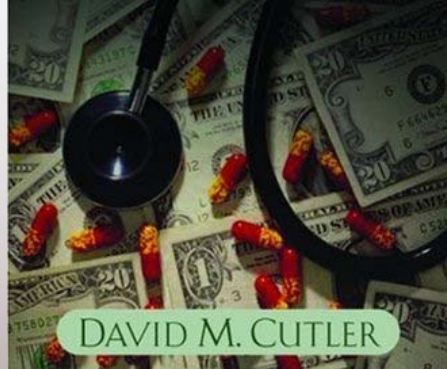
RESCUING AMERICA'S
HEALTH CARE

A Call to Action on How to Save the Health System

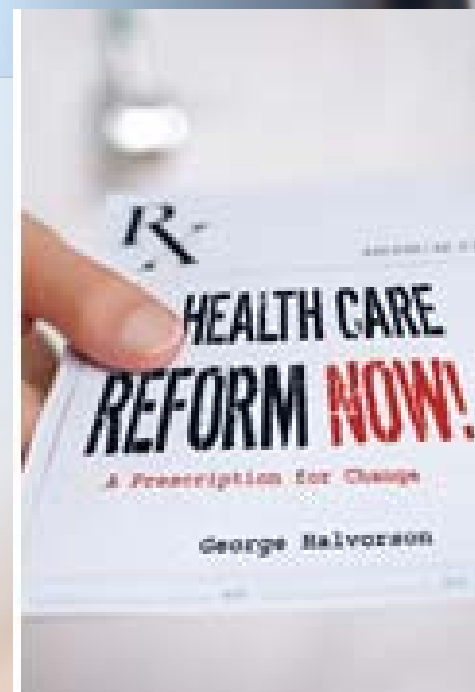
ARNOLD S. BELMAN, M. D.

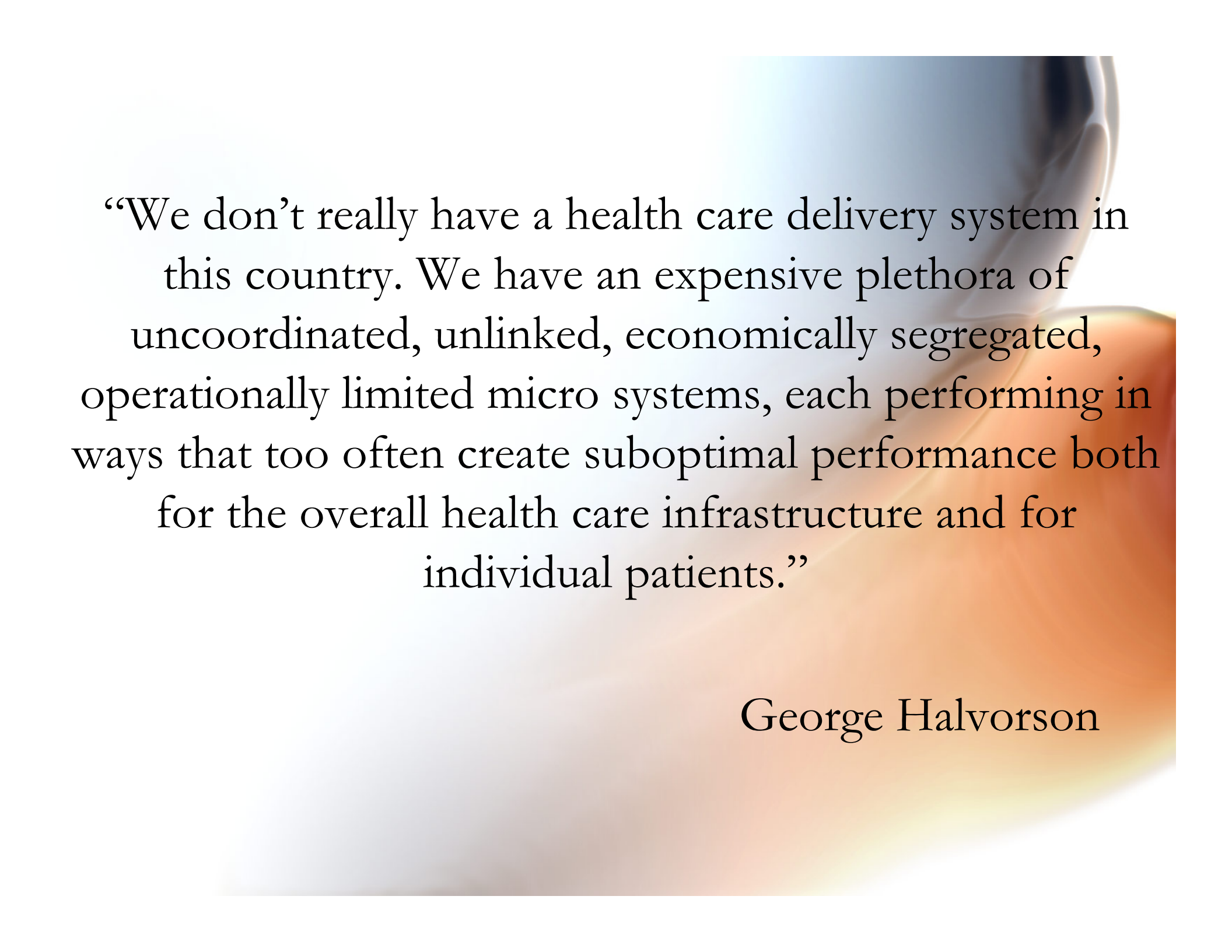
YOUR MONEY OR YOUR LIFE

Strong Medicine for
America's Healthcare System



DAVID M. CUTLER



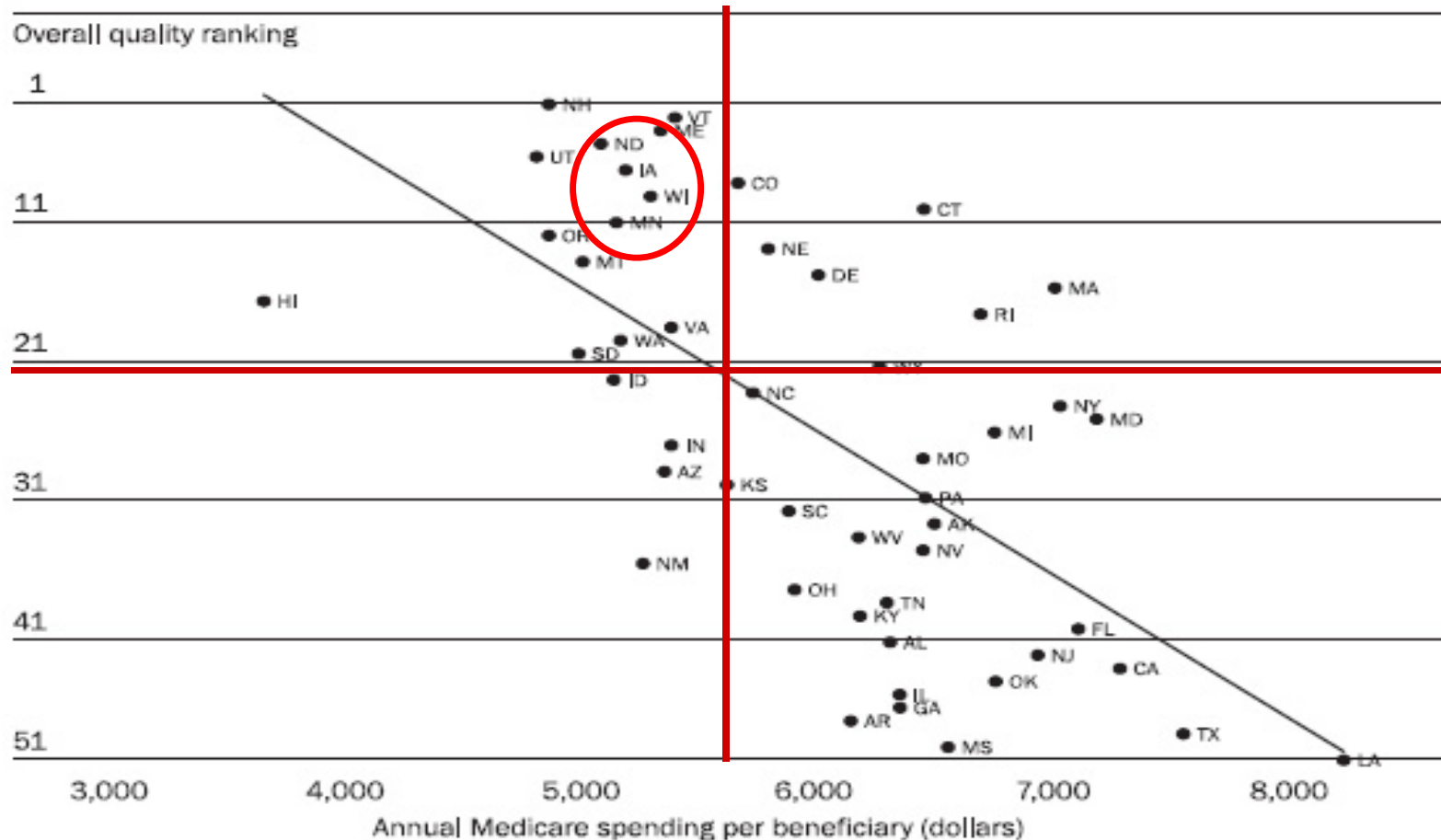
A close-up photograph of a hand holding a glass of orange juice. The hand is in the upper right corner, and the glass is filled with orange juice. The background is a soft, out-of-focus gradient of light blue and white.

“We don’t really have a health care delivery system in this country. We have an expensive plethora of uncoordinated, unlinked, economically segregated, operationally limited micro systems, each performing in ways that too often create suboptimal performance both for the overall health care infrastructure and for individual patients.”

George Halvorson

EXHIBIT 1

Relationship Between Quality And Medicare Spending, As Expressed By Overall Quality Ranking, 2000-2001



Source: Health Affairs; April 2004

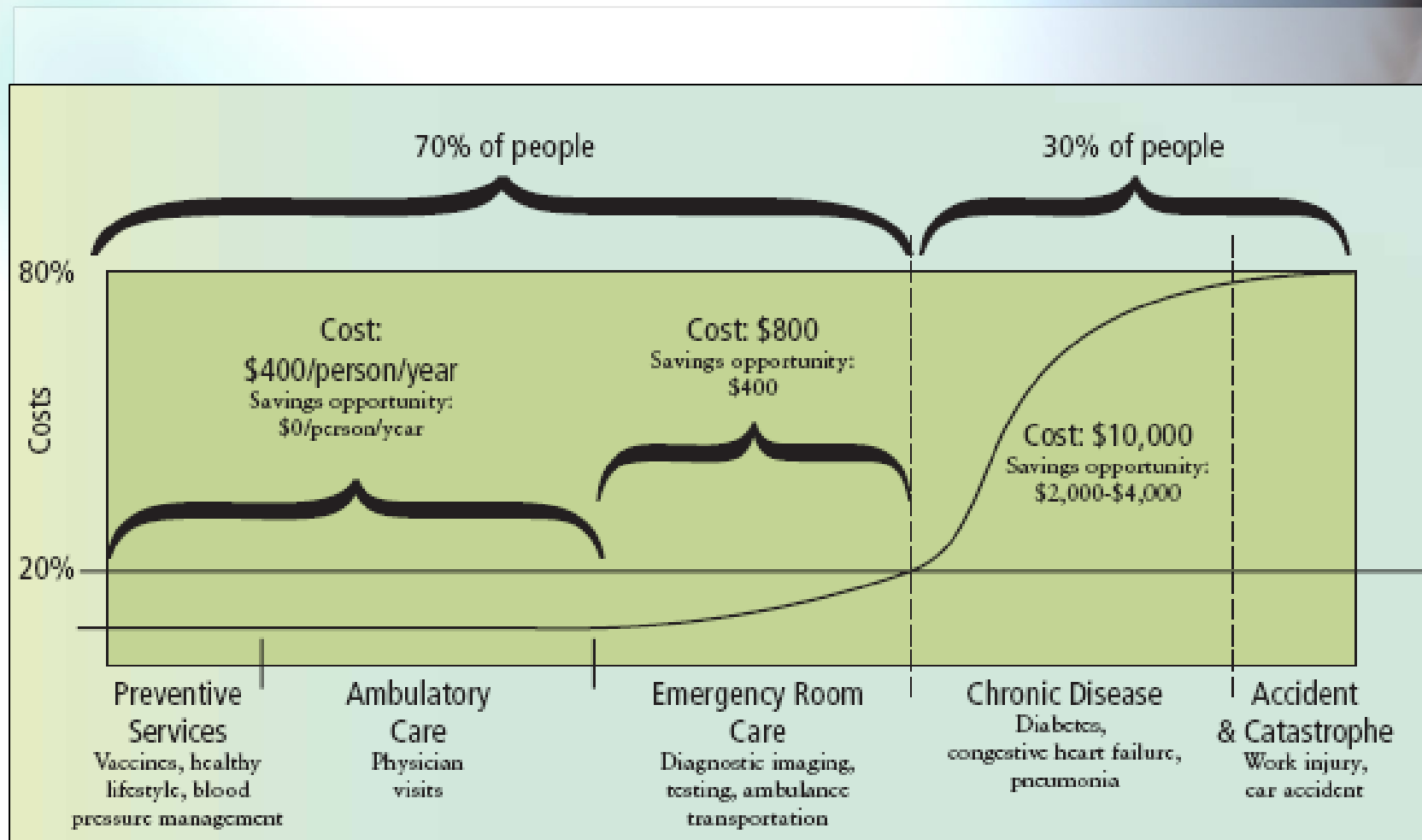
“If every Medicare beneficiary in the United States received the quality of care at the cost to Medicare here in Minnesota, we would extend the life of the Medicare program by nearly 100 years.”

Dave Durenberger, Chair
National Institute of Health Policy

5 Most Common Chronic Conditions

- Congestive Heart Failure
- Asthma
- Diabetes
- Coronary Artery Disease
- Depression

Reducing the Cost of Medical Care



Sources: Fischer M, Avorn J. JAMA 2004;291:1850-1856; McGlynn E, et al. New Engl J Med. 2003;348:2635-45; and Villagra VG, Ahmed T. Health Affairs 2004;23:255-266.

SMDC Heart Failure Program

Clinical Outcomes

Sample Study in 2000

25 pts. in the Heart Failure Program

- 82% Reduction in Heart Failure hospitalizations
- 81% Decrease in Length of Stay
- 88% Decrease in ER Visits

SMDC Heart Failure Program

Clinical Outcomes

2006 Data

- 98% Beta Blocker Use
- 98% Ace/Arb Use
- 63% have increased cardiac ejection fractions
- 7% Yearly Admission Rate
- 2.8% 6-month Re-admission Rate

National 6 month Re-admission Rate is 40-50%.

SMDC Heart Failure Program

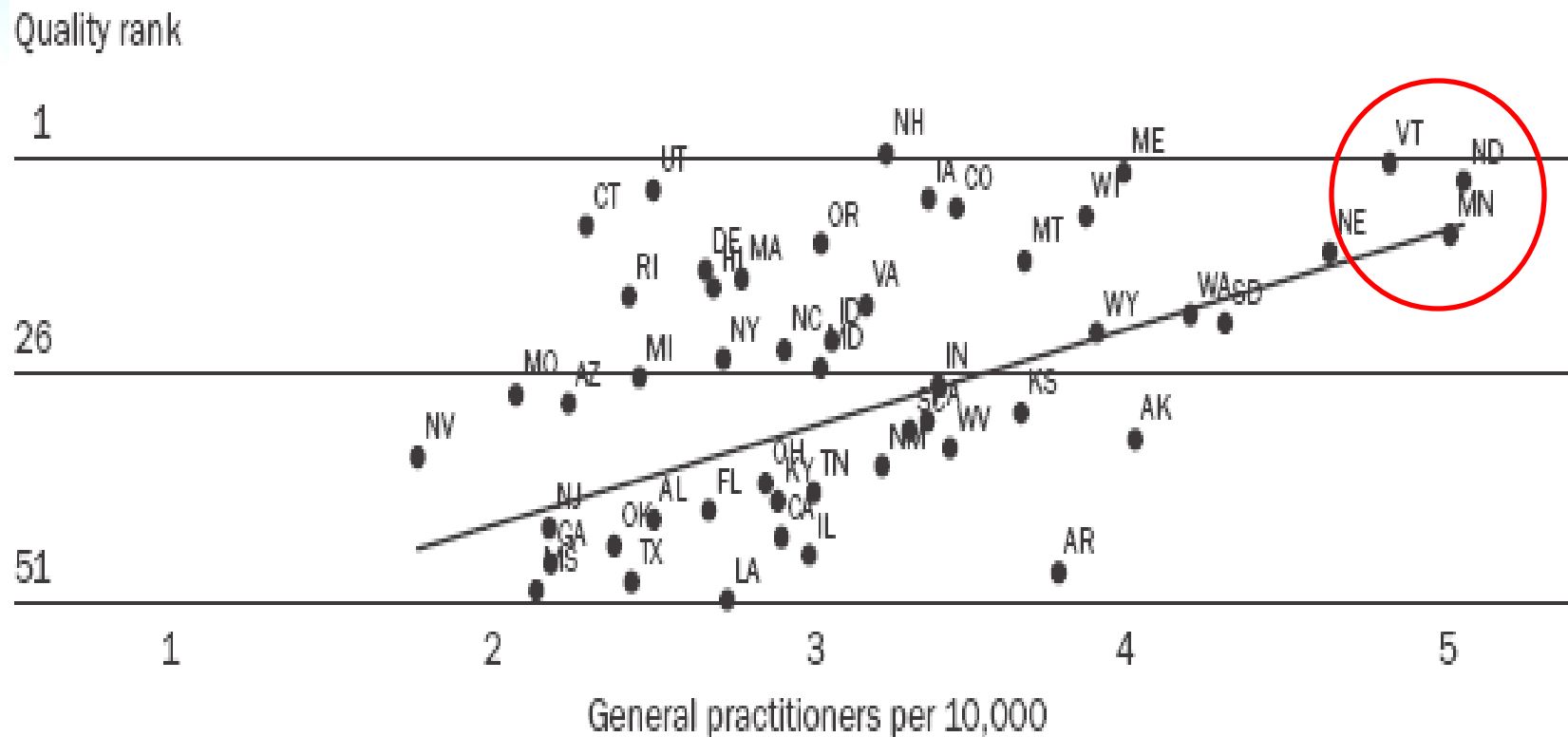
Financial Outcomes

Pilot with payer BCBS of MN
N=29 patients \$1.25M cost savings

Type of Care	Pre-Program 6 months	Post-Program 6 months	Percent Change
Inpatient	\$1,149,080	\$185,134	-84%
Outpatient	\$124,884	\$125,498	0%
ER	\$379,852	\$66,318	-83%
Prof. Fees	\$674,428	\$706,298	5%
Lab/Radiol	\$138,781	\$118,064	-15%
Pharmacy	\$124,229	\$137,312	11%
Total	\$2,591,254	\$1,338,624	-48%

EXHIBIT 8

Relationship Between Provider Workforce And Quality: General Practitioners Per 10,000 And Quality Rank In 2000



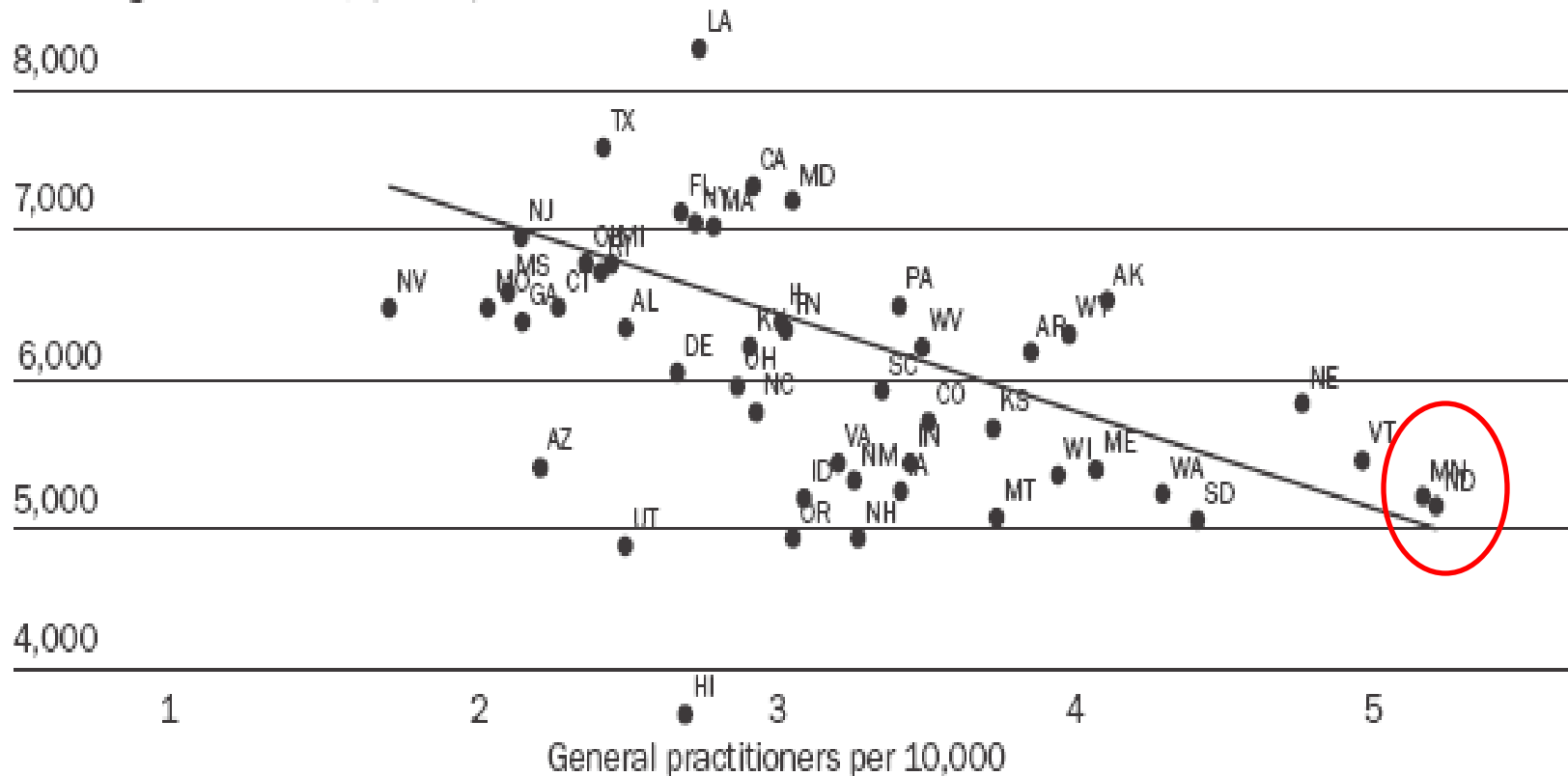
SOURCES: Medicare claims data; and Area Resource File, 2003.

NOTES: For quality ranking, smaller values equal higher quality. Total physicians held constant.

EXHIBIT 9

Relationship Between Provider Workforce And Medicare Spending: General Practitioners Per 10,000 And Spending Per Beneficiary In 2000

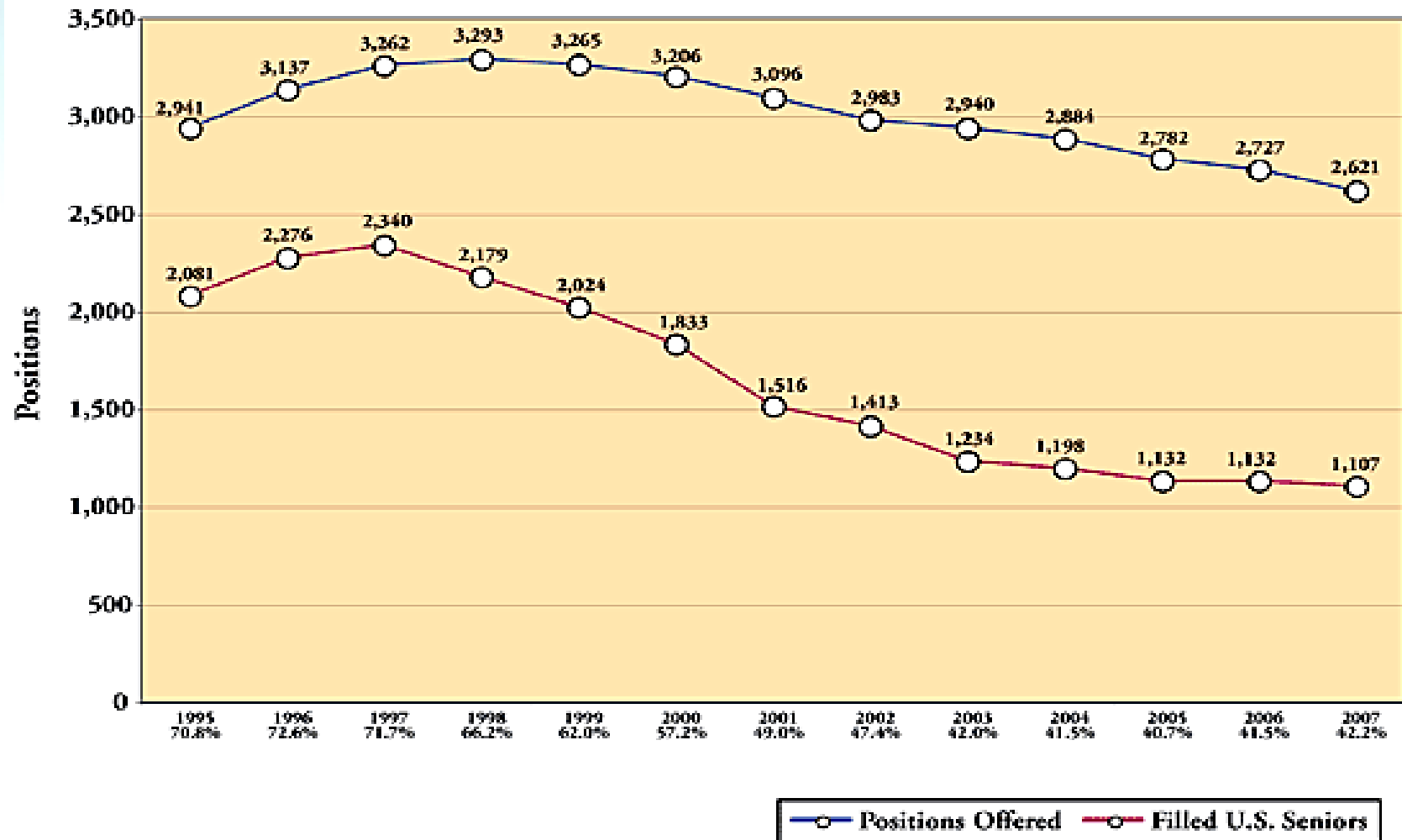
Spending per beneficiary (dollars)



SOURCES: Medicare claims data; and Area Resource File, 2003.

NOTE: Total physicians held constant.

Family Medicine Positions Offered & Filled with US Seniors in March (1995-2007)



Primary care: an impossible job

- Because of inadequate reimbursement, primary care physicians need excessively large patient panels to keep their practices viable. Average US primary care patient panel is 2300.
- A primary care physician with an panel of 2500 average patients will spend 7.4 hours per day doing recommended preventative care [Yarnall et al. Am J Public Health 2003;93:635]
- A primary care physician with a panel of 2500 average patients will spend 10.6 hours per day doing recommended chronic care [Ostbye et al. Annals of Fam Med 2005;3:209]

Average Provider Salary

Family Practice	\$156,011
Internist	\$168,531
Ophthalmologist	\$280,353
Urologist	\$335,731
Orthopedic Surgeon	\$396,650

Reforming the Health Care System

SENATOR LINDA BERGLIN, 61
Senator Paul E. Koering, 12
Senator Tony Lourey, 08
Senator John Marty, 54
Senator Julie Rosen, 24

REPRESENTATIVE TOM HUNTLEY, 07A
Representative Jim Abeler, 48B
Representative Steve Gottwalt, 15A
Representative Diane Loeffler, 59A
Representative Paul Thissen, 63A



85TH LEGISLATIVE SESSION

THE LEGISLATIVE COMMISSION ON HEALTH CARE ACCESS

- The Legislative Commission on Health Care Access – Recommendations on affordable care:
 - Cost-containment
 - Insurance reform
 - Public health
 - Long-term care/continuum of care
 - Single-payer feasibility

Health Care Transformation Task Force

1. Reduce health care expenditures by 20 percent by January 2011; limit rate of growth spending to CPI plus 2%/year.
2. Increase affordable health coverage options for all Minnesotans; ensure all Minnesotans will have health coverage by January 2011.
3. Improve the quality and safety of health care and reduce racial and ethnic disparities in access and quality.

Source: 2007 Minnesota Laws, Chapter 147, Article 15, Section 21

Potential Health Care Cost Savings

	2011		2015	
	\$ millions	% of total spending:	\$ millions	% of total spending
Base: Projected Spending	\$43,933.8		\$57,400.0	
Potential cost savings:				
Payment reform	\$4,393.4	10.0%	\$5,740.0	10.0%
Prevention and health improvement:				
Overweight/obesity	\$332.0	0.8%	\$1,236.3	2.2%
Smoking	\$841.9	1.9%	\$1,684.3	2.9%
Alcohol and drugs	\$189.6	0.4%	\$417.8	0.7%
Cost of interventions*	<u>(\$57.1)</u>	<u>(0.1%)</u>	<u>(\$57.1)</u>	<u>(0.1%)</u>
	\$1,306.4	3.0%	\$3,281.3	5.7%
Patient shared decision making	\$43.9	0.1%	\$57.4	0.1%
Technology assessment	\$439.3	1.0%	\$746.2	1.3%
Administrative efficiency	\$878.7	2.0%	\$2,468.2	4.3%
Subtotal: cost savings	\$7,061.7	16.1%	\$12,293.1	21.4%
Net cost to cover uninsured**	(\$866.0)	(2.0%)	(\$1,155.0)	(2.0%)
Net savings	\$6,195.7	14.1%	\$11,138.1	19.4%

*Does not include potential additional costs borne by private and public insurance

**System-wide increase in cost due to increased use of health care services. See Appendix B for information on potential cost to state government.

Mechanisms to Reform the System

- Personal Responsibility Requirement
- One Transparent Price
- Level 1: Pay-for-Performance

Level 2: Health Care Homes, Chronic Disease Management

Level 3: Accountable for the total cost of care

d. Affordability

	Individual		Family of 4		
300% FPG	\$31,200	\$1,872	\$63,600	\$3,816	6%
400% FPG	\$41,600	\$2,496	\$84,800	\$6,784	8%

e. Public Health

f. Health Insurance Exchange/Connector

“Now, I am frank to say that I am not a liberal...I am what I want to be – I am radical. I am a radical in the sense that I want definite change in the system. I am not satisfied with tinkering. I am not satisfied with patching. I am not satisfied with hanging a laurel wreath upon burglars and thieves and pirates and calling them code authorities or something else...

I want, however, an orderly, a sane and a constructive change...I know the transition can take place and that of course it must be gradual.”

Governor Floyd B. Olson
at the Farmer-Labor Association
convention, March 1934