

Minnesota Legislature Passes Historic Health Care Reform Legislation

May 28, 2008

The Minnesota legislature completed its 2008 legislative session with the passage of what has been called historic health care reform legislation. Governor Tim Pawlenty will be signing [Senate File 3780](#) on May 29. The bill is broad in its scope, including major provisions that improve health care coverage and affordability, payment reform and price/quality transparency, chronic care management, administrative efficiency, and public health improvement.

Health care coverage and affordability:

- The reform package expands Minnesota Care eligibility for adults without children to 250 percent of the Federal Poverty Level (FPL), increasing access to health care for an additional 12,000 Minnesotans. It also reduces the MinnesotaCare sliding premium scale to increase affordability.
- Employers who have 11 or more full-time equivalent employees and who do not offer group health insurance are required to establish and maintain a Section 125 plan so that employees can purchase health insurance with pre-tax dollars. It provides \$1 million in funding for grants to cover certain employers' cost of establishing Section 125 plans.
- The reform package creates a workgroup to make recommendations on the design of an "essential benefit set" that provides coverage for a broad range of services and technologies, is based on scientific evidence of clinical and cost effectiveness, and that requires lower enrollee cost-sharing for certain services.
- It requires the development of a proposal to promote affordable access to employer-sponsored health insurance through the use of direct subsidies and/or tax credits and deductions.
- The package makes it easier for people to obtain information and applications for state public health care programs, and to renew their enrollment. It also provides for more seamless transitions between programs, and requires further study of ways to improve coordination between state health care programs and other programs such as Women, Infant, and Children Nutrition Program (WIC) and food stamps.

Payment Reform and Price/Quality Transparency:

- The legislation encourages quality improvement, by increasing transparency of quality and establishing a single statewide system of quality-based incentive payments to be used by public and private health care purchasers.
 - Publicly reported quality measures will be risk adjusted and will be based on health outcomes, processes, and other measures such as care infrastructure and patient satisfaction.
 - Quality measures will include measures for primary care such as preventive services, coronary artery and heart disease, diabetes, asthma, and depression.
 - Quality incentive payments to providers will be adjusted for variations in providers' patient populations, and will be based on a comparison of provider performance against specified targets, and improvement over time.

- It creates a powerful set of tools to allow consumers and health care purchasers to compare providers on overall cost and quality of care. This information will be used to create incentives for health care providers to innovate on ways to deliver health care with higher quality and lower cost, and it will also be used to create consumer incentives to use high-quality, low-cost providers.
 - Using encounter level claims data and information on contracted prices, the Commissioner of Health will develop a method for calculating providers' relative cost and quality of care, and a combined measure that incorporates both risk-adjusted cost and quality of care.
 - The information will be disseminated to health care providers and the public.
- It promotes transparency and accountability by establishing “baskets” of health care services to allow consumers to more easily compare cost and quality of care across providers, and to promote provider innovation on cost and quality.
 - Providers will set their own prices for the “baskets” of care to encourage greater transparency and competition on price.

Chronic Care Management:

- The reform package promotes the use of health care homes to coordinate care for people with complex or chronic conditions, by establishing standards for state certification of health care homes. Health care homes will receive care coordination payments from public and private health care purchasers.

Administrative Efficiency:

- It promotes administrative streamlining and patient safety requiring that electronic health records be consistent with federal standards for interoperability, and that all prescriptions be ordered electronically by 2011.
- It requires a study and report on reducing claims adjudication costs for health care providers and health plans by adoption of more uniform methods of processing claims.

Public Health:

- The legislation establishes and funds a statewide health improvement program to reduce the percentage of Minnesotans who are obese or overweight and to reduce the use of tobacco. A total of \$47 million is appropriated for this activity in fiscal years 2010 and 2011.

The reform requires health care cost savings to be measured against projected costs without reform. Estimates suggest that the reforms will result in significant potential overall health care cost savings. Compared to baseline projections, the health care reforms are estimated to have the potential for cost savings of about 12 percent by 2015. This represents a potential savings of about \$6.9 billion compared to baseline projections.