

Health Reform in the US

Summaries of State Legislation

Minnesota's Smart-Buy Alliance¹

What is it?

- A coalition formed in 2004 which includes the state of Minnesota, private business alliances and labor groups, who together buy health insurance on behalf of 70% of the state's residents.
- A voluntary effort by Alliance members to pool their health care purchasing power in order to improve health care quality and efficiency, and to reduce the cost of health care.
- An agreement among Alliance members to set uniform performance standards, cost/quality reporting requirements, and technology demands on health plans and providers and to favor providers and plans that are certified as being of the highest quality.

What it's not:

- An employer obligation to pay for health coverage.
- An individual mandate to have health insurance.
- An effort to expand coverage to the uninsured.
- A publicly-managed health insurance system.
- Does not offer subsidies towards health insurance costs.

Year of enactment: 2004

California comparison:

- The Pacific Business Group on Health is a consortium of major California employers, representing several million covered lives, that coordinates on efforts to control cost while improving quality without functioning as a purchasing collaborative.

MINNESOTA HEALTH CARE FACTS*

TOTAL POPULATION:	5,124,100
NUMBER OF UNINSURED:	444,860
PERCENT OF POPULATION THAT IS UNINSURED:	9%
PERCENT OF ADULT, NON-ELDERLY POPULATION WITH EMPLOYER-SPONSORED INSURANCE:	72%
AVERAGE EMPLOYER CONTRIBUTION TO FAMILY PREMIUM COST:	\$8,037
AVERAGE EMPLOYEE CONTRIBUTION TO FAMILY PREMIUM FOR EMPLOYER-BASED INSURANCE:	\$2,270
AVERAGE PERCENT OF PREMIUM COST PAID BY EMPLOYEE FOR FAMILY COVERAGE:	22%
FAMILY INCOME ELIGIBILITY FOR CHILDREN IN MEDICAID/SCHIP, AS PERCENTAGE OF FEDERAL POVERTY LEVEL:	275–280%
MEDICAID INCOME ELIGIBILITY FOR NON-ELDERLY, NON-DISABLED ADULTS, AS % OF FPL:	275%

*2004, Kaiser Family Foundation

- The Pacific Business Group on Health collaborates with CalPERS, the California Public Employee Retirement System, on cost and quality measures but not on purchasing coverage.
- The California Health Care Coalition is a membership organization of unions, employers and health and welfare funds, currently representing 2 million Californians. They organize group purchasers of health services at local and statewide levels to use their combined purchasing power to obtain detailed information about quality and cost from providers and plans, and direct members to high quality, high value hospitals and physicians in their communities.

Details:

How does it work?

- Alliance members continue to purchase health care individually, but are collectively pursuing strategies to improve quality and contain costs through four initiatives (listed below).
- Alliance members choose which strategy to pursue and agree to share the results with other members for inclusion in their upcoming negotiations with health plans and providers, thus enabling members to purchase from plans and providers that offer the highest quality care.

Key strategies:

1. **“Best in class” certification**—Identifies and rewards providers that achieve a certain level of expertise, experience, proficiency and results in their particular area of care. Alliance members agree to consider certification when selecting providers and encourage policyholders to do the same.
2. **Uniform measures of quality and results**—Alliance members agree to adopt and utilize uniform methods of measuring quality of care and results. The Alliance will use a uniform value-based purchasing tool to compare plans’ performance and outcomes, and will use this tool to compare plans and make purchasing decisions.
3. **Access to information**—The Alliance will provide information to consumers regarding providers, health care costs and quality of care in standardized, user-friendly formats. Information will include: how well providers meet proven standards, how providers’ performance and costs compare to one another, how to manage health conditions, and how successful hospitals are at preventing errors.
4. **Use of information technology**—Alliance members will encourage efficiencies and quality improvements through adopting new technologies including: electronic insurance cards for accessing instant information about eligibility and benefits, electronic prescription technology to reduce administration costs and errors, electronic insurance claim forms, and automated systems to track patient satisfaction, outcomes, and payments.

ANALYSIS

Good Points:

The Alliance is an attempt to improve the value of services purchased with health care dollars. Advocates for the Alliance point to the fact that it does not create a new government bureaucracy and does not present a direct challenge to the health care marketplace as two of its key strengths.

Implementation:

While formed in 2004, the Alliance anticipates that its effect on health plan purchasing will be felt in negotiations with health plans and providers beginning in 2006. There is little information available about the results thus far.

Critiques:

The Alliance is a partial response to rising health care costs but does not address health coverage for the uninsured.

¹Information on Minnesota’s Smart-Buy Alliance obtained from:

- Kaiser Family Foundation, State Watch, http://www.kaisernetwork.org/daily_reports/rep_index.cfm?hint=3&DR_ID=27001
- The Commonwealth Fund, State Purchasing Strategies, http://www.cmwf.org/tools/tools_show.htm?doc_id=278285
- Minnesota Governor’s Health Cabinet, Smart Buy, <http://www.maximumstrengthhealthcare.com/smartbuy/SBAmission.html>