

HEALTH CARE COSTS AND COST DRIVERS IN MINNESOTA

Health Care Costs Legislative Work Group
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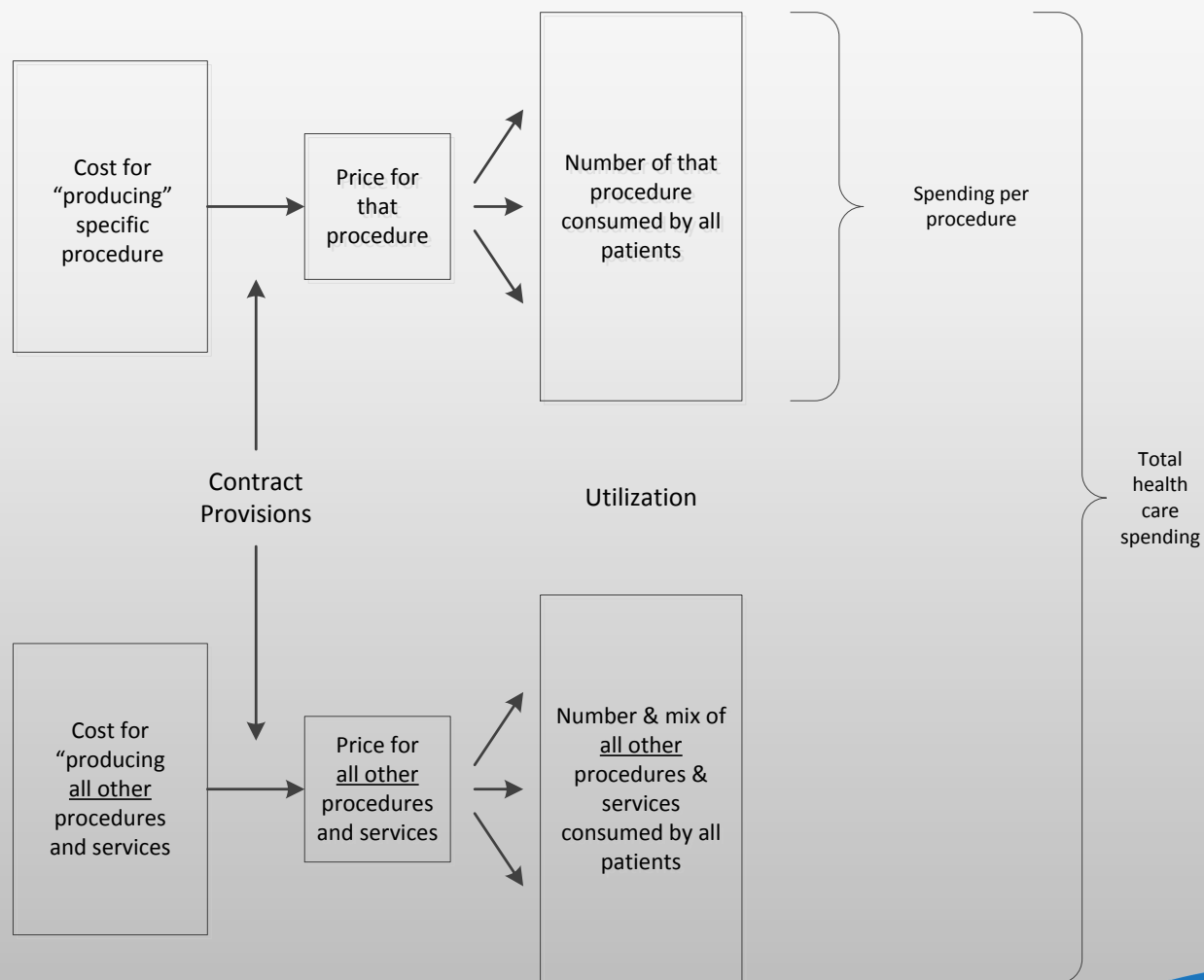
Overview

- Background on the Health Economics Program
- Definitions: Spending vs. Costs
- Some Basic Data on Minnesota Health Care Spending
- Drivers of Cost Growth
- Concentration in Health Care Spending
- Health Care and the Economy

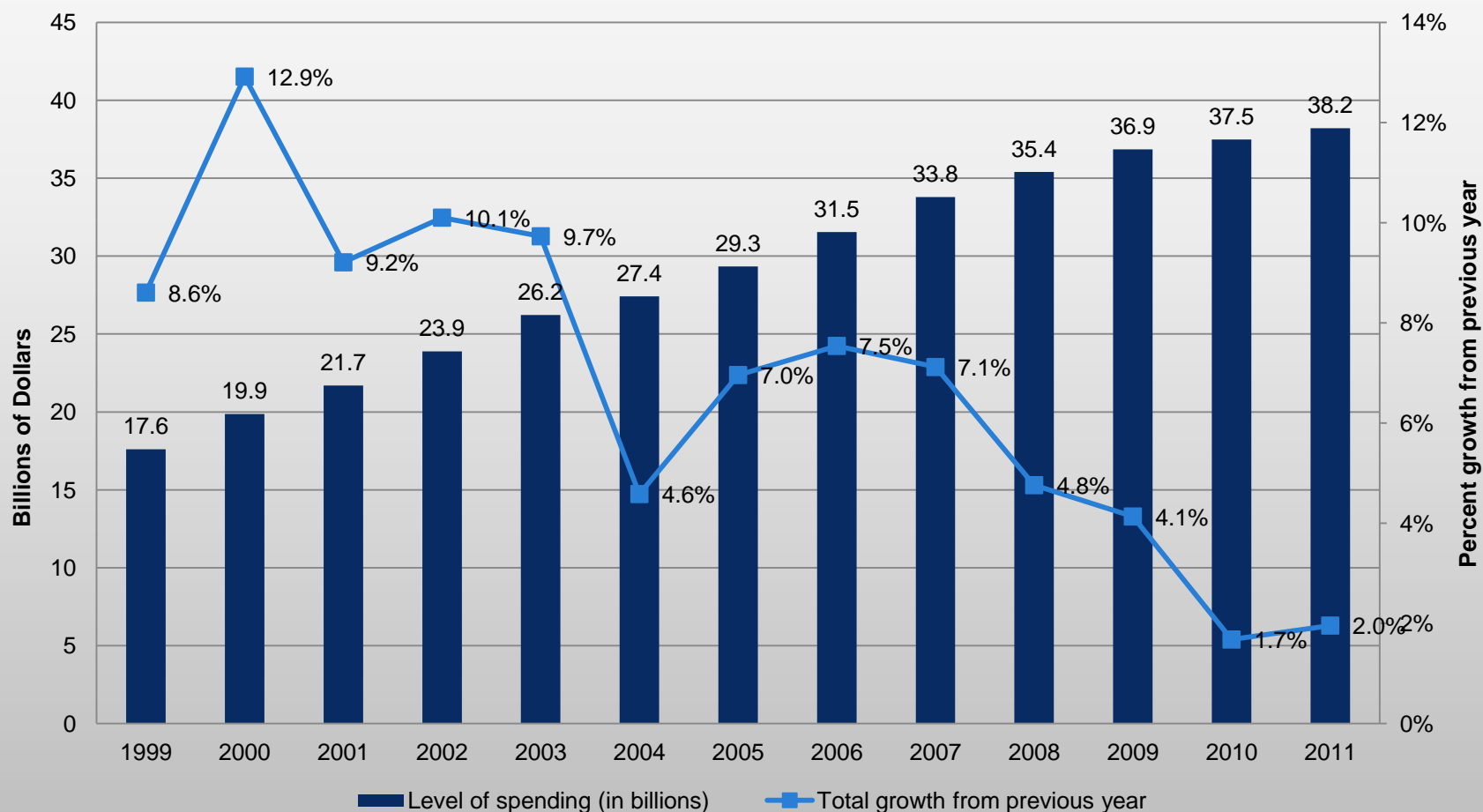
Health Economics Program

- Conducts research and applied policy analysis
- Monitors changes in the health care market place to understand factors influencing:
 - Health care costs
 - Access to insurance and health care
 - Quality of care delivery
- Provides technical assistance in the development of state policy
- Implements aspects of the health reform activities related to transparency in cost and quality

Definitions: Costs vs Spending

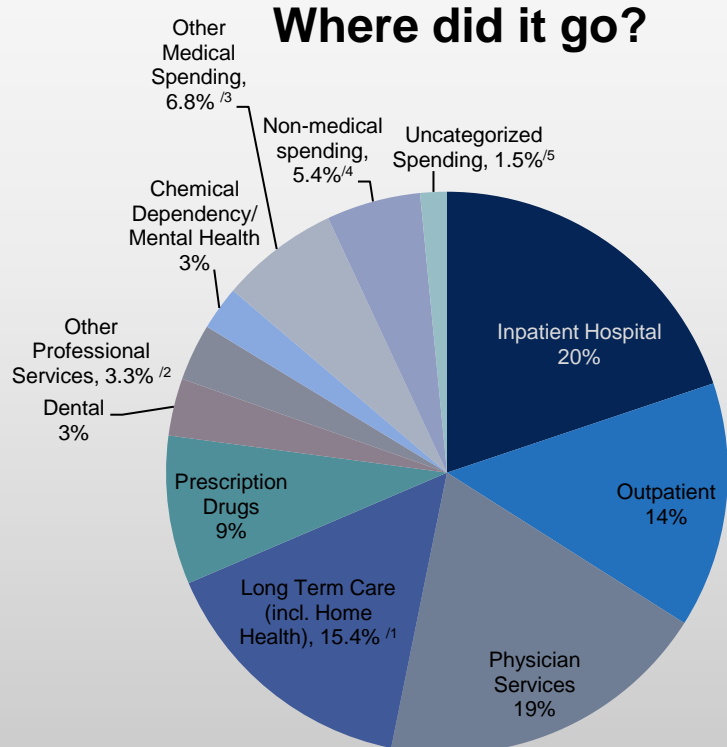


Minnesota Health Care Spending

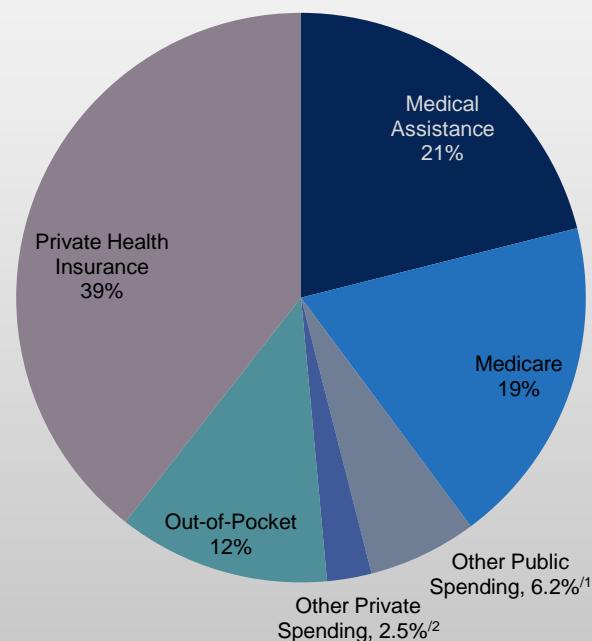


Minnesota Health Care Spending, 2011

Where did it go?



Where did it come from?



Source: MDH Health Economics Program

^{/1} Includes home health care services; ^{/2} Includes services provided by health practitioners who are not physicians or dentists; ^{/3} Includes durable medical spending; ^{/4} Includes health plan administrative expenses and revenues in excess of expenses; ^{/5} Includes public health spending, correctional facility health

Source: MDH Health Economics Program. Numbers may not

^{/1} Includes, among others, MinnesotaCare, General Assistance Medical Care, government workers' compensation, and Veterans Affairs

^{/2} Other major private payers include private workers' compensation

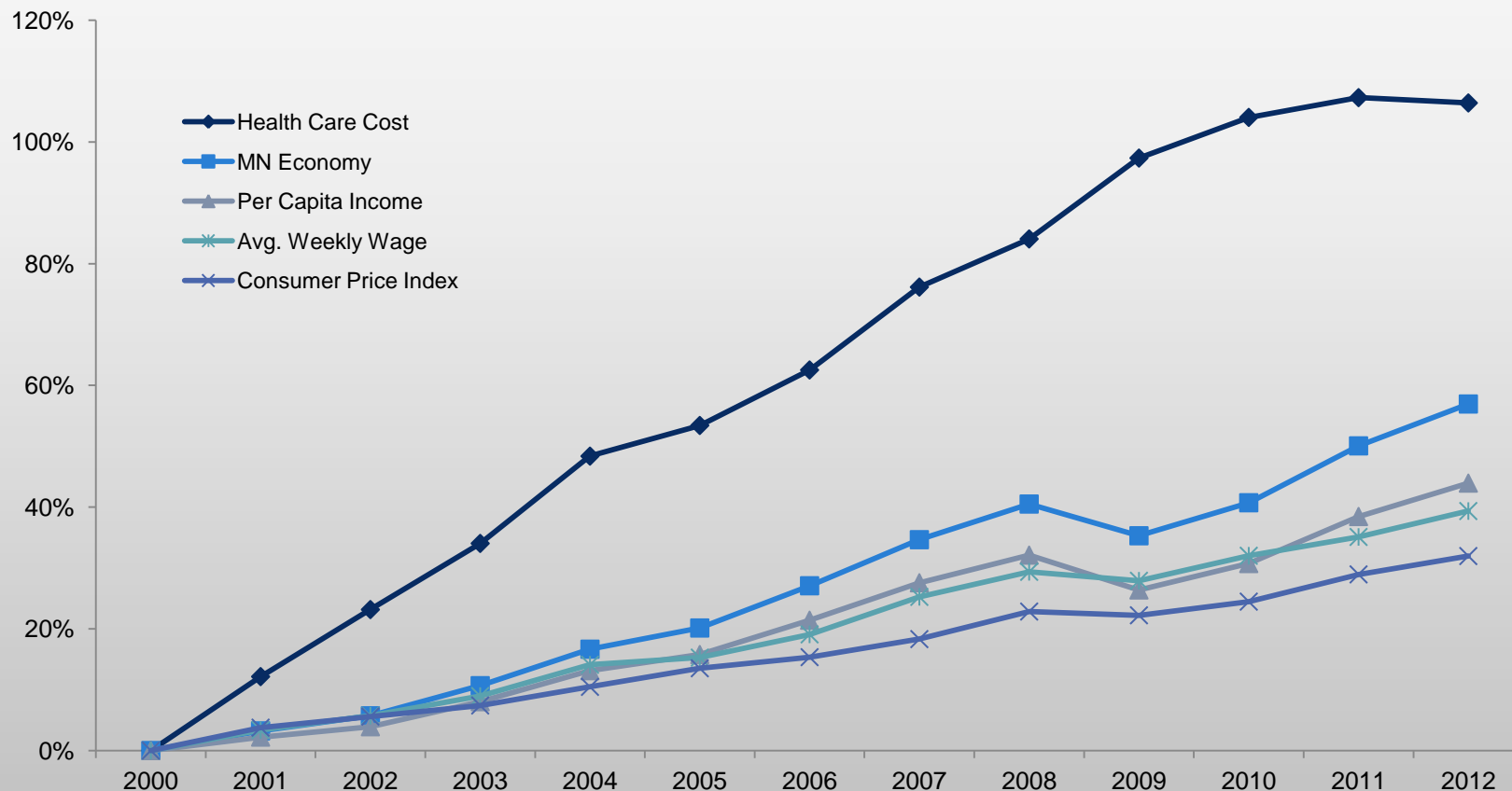
Health Care Spending Per Capita and as a Share of the Economy, MN vs. U.S.

	2007	2008	2009	2010	2011
Per Capita Health Care Spending:					
Minnesota	\$6,508	\$6,766	\$7,003	\$7,056	\$7,145
U.S.	\$7,149	\$7,406	\$7,680	\$7,930	\$8,175
Health Care Spending as a Share of the Economy:					
Minnesota	13.3%	13.5%	14.3%	14.0%	13.6%
U.S.	15.4%	15.8%	16.9%	16.9%	16.9%

Sources: MDH Health Economics Program, Centers for Medicare & Medicaid Services (spending for health consumption expenditures).

Health Care Costs and the Economy

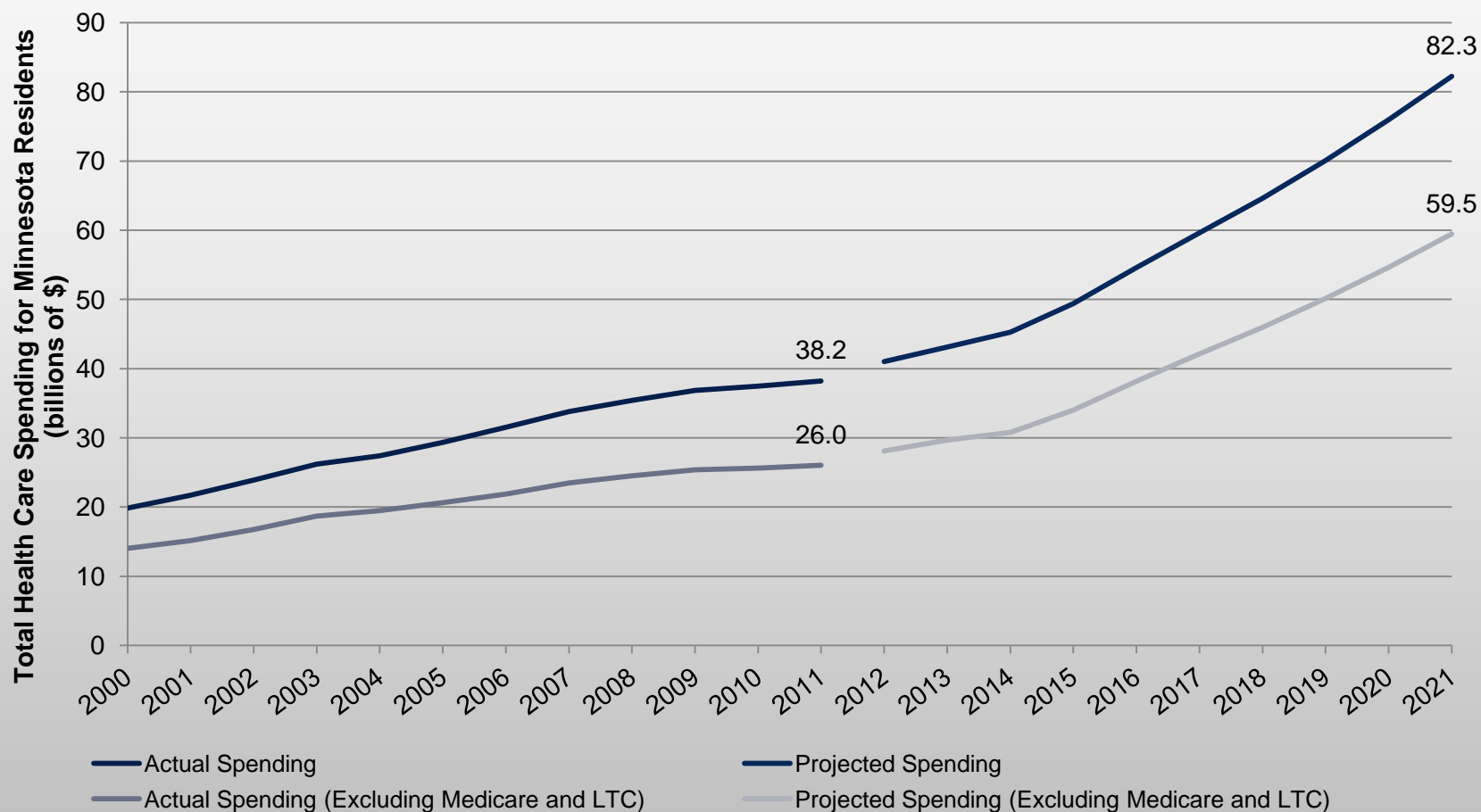
Cumulative Percent Change in Key Minnesota Health Care Costs and Economic Indicators



Note: Health care costs is MN privately insured spending on health care services per person, and does not include enrollee out of pocket spending for deductibles, copayments/coinsurance, and services not covered by insurance

Sources: MDH/Health Economics Program; U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Bureau of Labor Statistics, MN Department of Employment and Economic Development.

Projected Minnesota Health Spending Growth

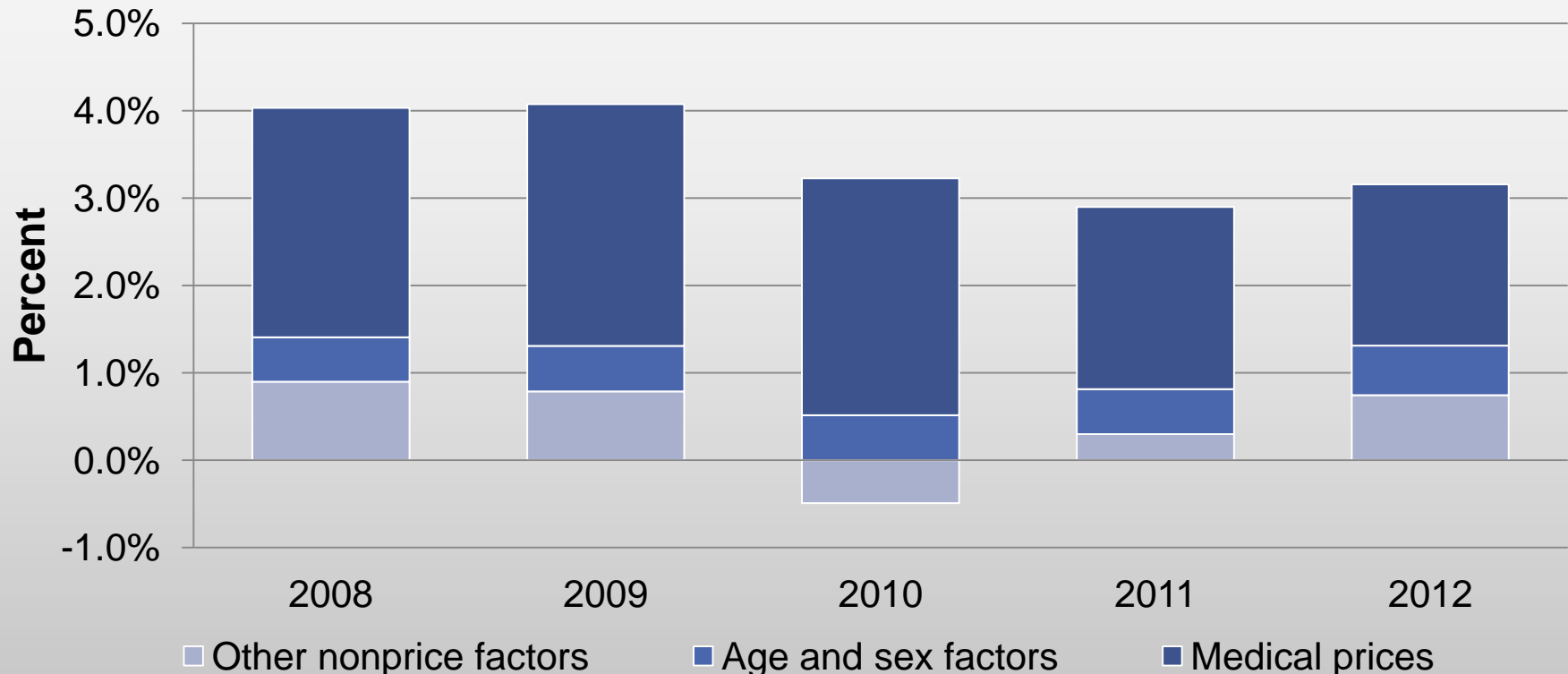


COST DRIVERS

Multiple Lenses on Health Care Spending Growth and Containment



Cost Drivers for National Per Capita Health Care Expenditures



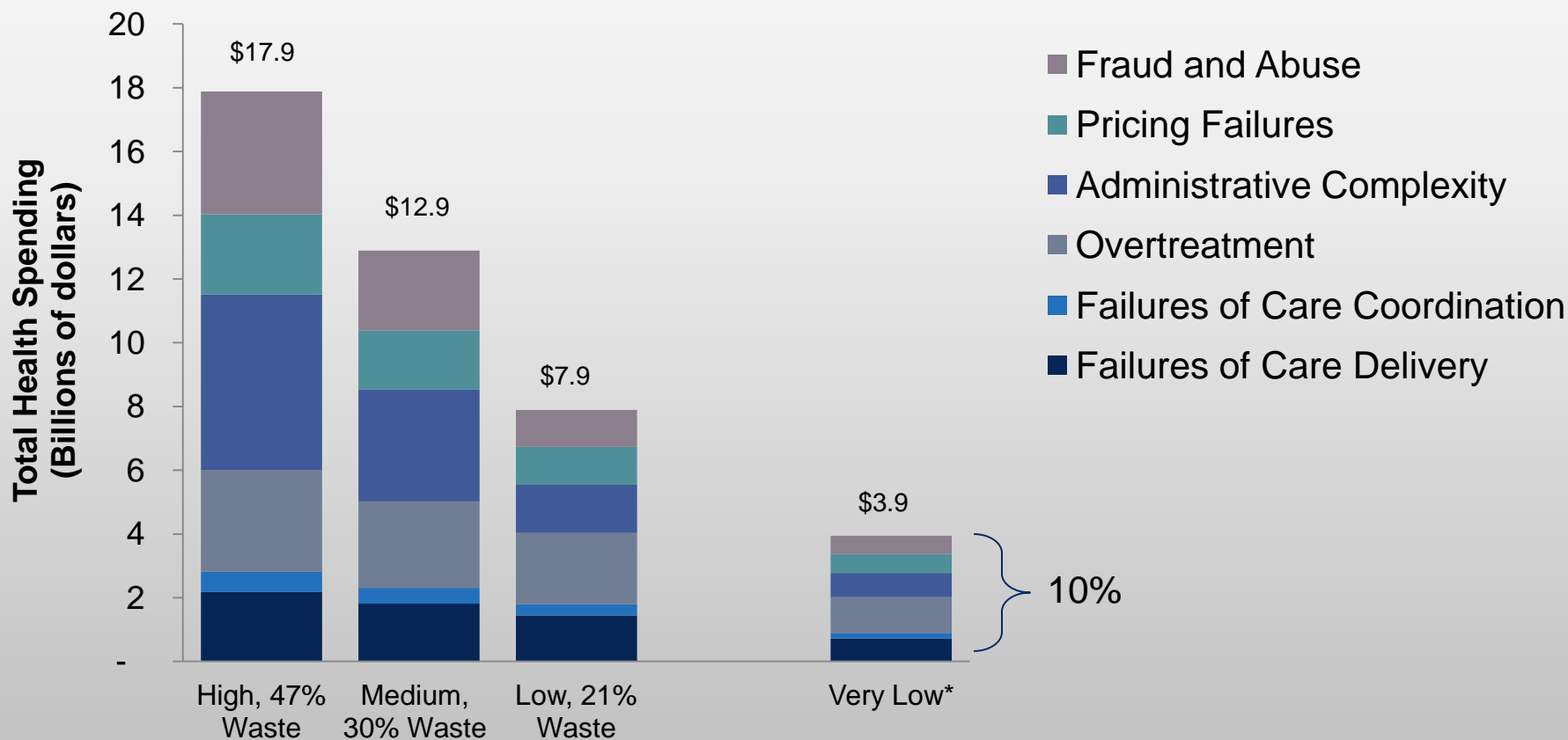
Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

Notes: Data is for Personal Health Care Expenditures. Medical price growth, which includes economy-wide and excess medical-specific price growth (or changes in medical-specific prices in excess of economy-wide inflation), is calculated using the chain-weighted national health expenditures (NHE) deflator for NHE and the chain-weighted personal health care (PHC) deflator for PHC expenditures. As a residual, the category of other non-price factors includes use and intensity and any errors in measuring prices or total spending.

IOM Drivers of Spending Growth

- Scientific uncertainty
 - Perverse economic and practice incentives
 - System fragmentation
 - Opacity in cost, quality and outcomes
 - Changes in the population's health status
 - Lack of patient engagement in decisions
 - Under-investment in population health
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- Economic research shows: technology drives between 38 percent and 65 percent of spending growth

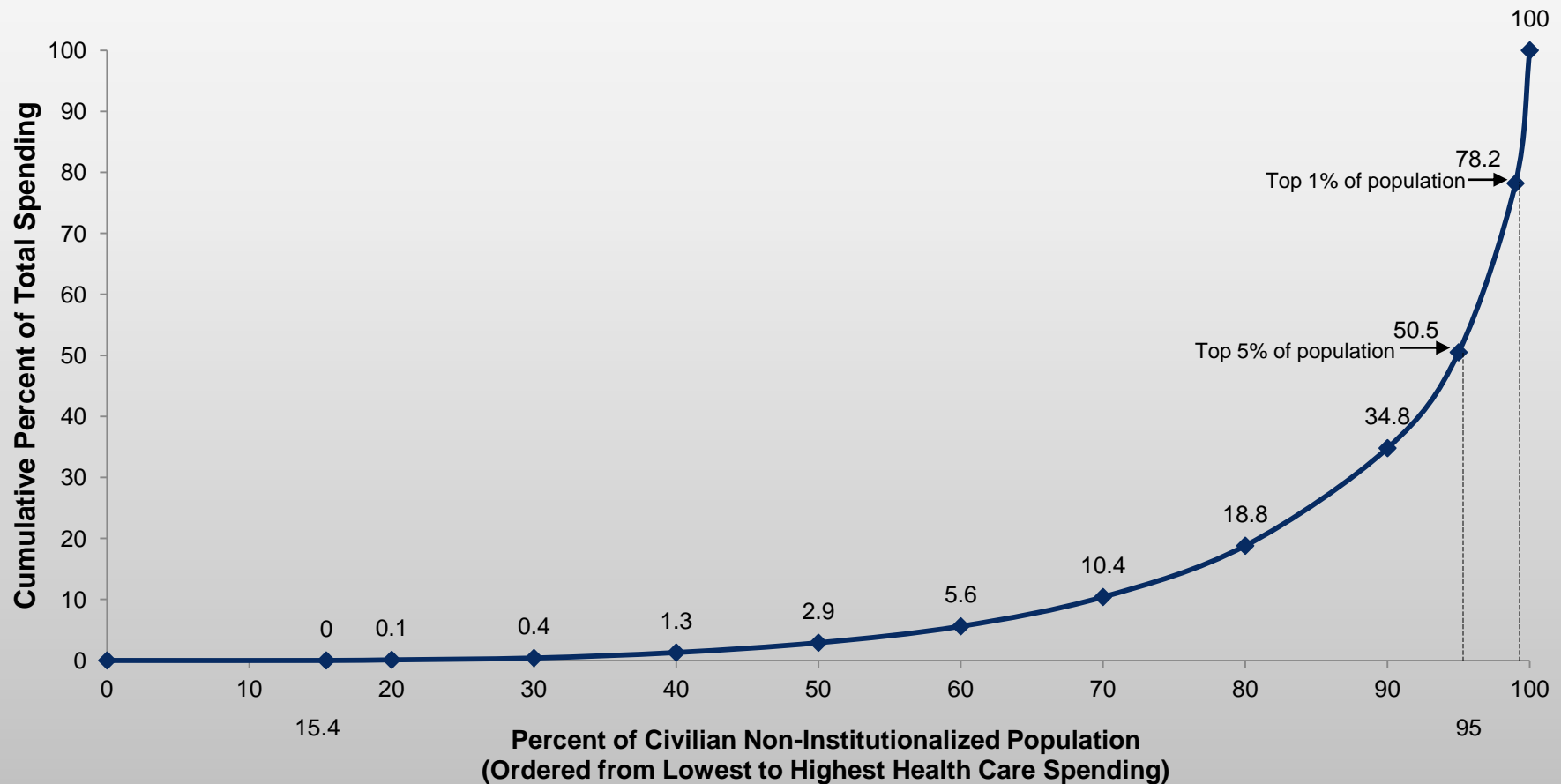
Potential Waste in Minnesota Health Care System Assuming Nat'l Trends, 2011



MDH/Health Economics Program estimates based on: Berwick, D. and A. Hackbarth. "Eliminating Waste in US Health Care." *The Journal of the American Medical Association*. 2012. 307(14):1513-1516.

* Very low estimates represents alternative assumption that Minnesota experiences medical waste at half the rate of lowest national surveys.

Distribution of Health Care Spending



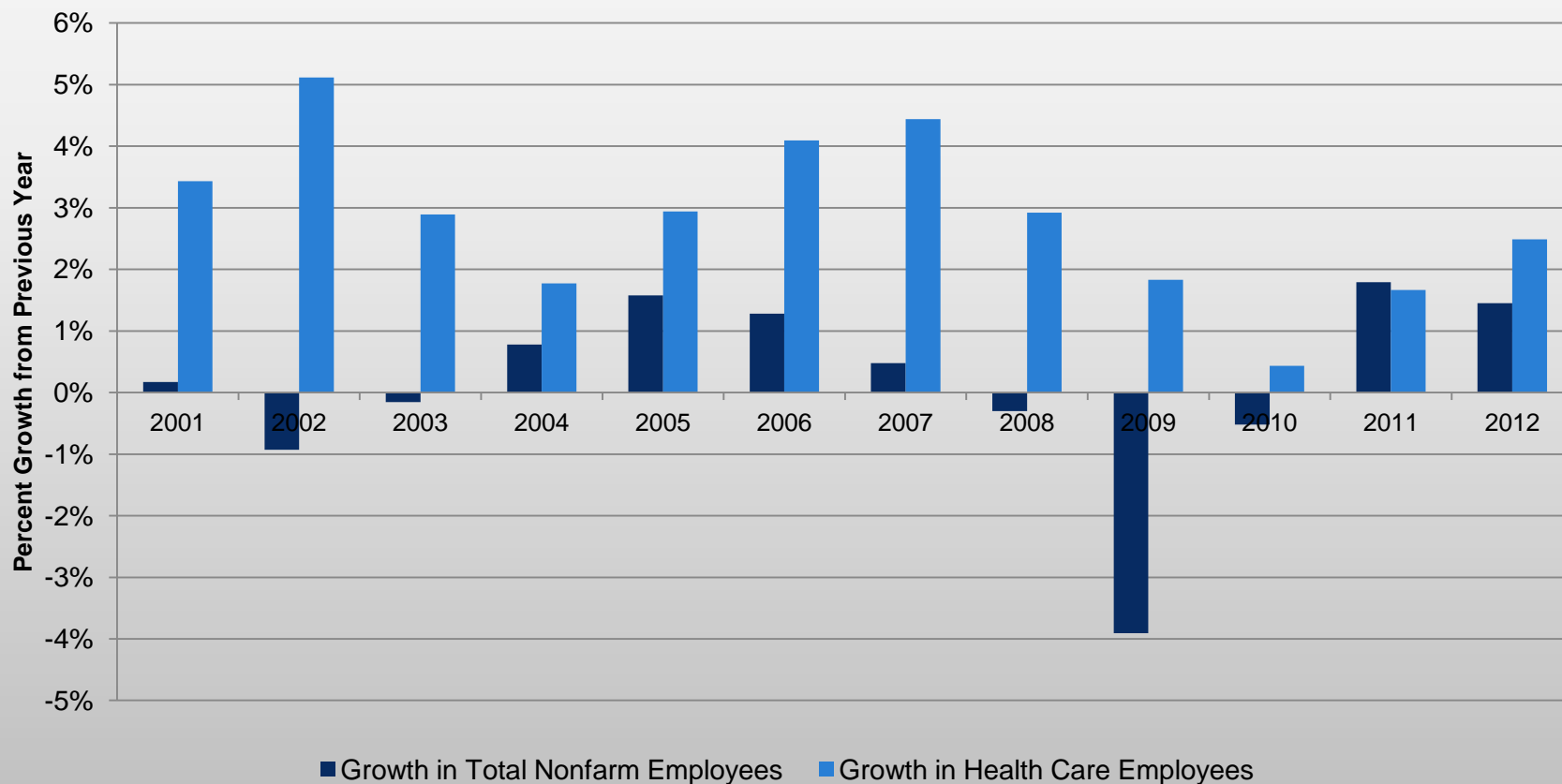
Source: National Institute for Health Care Management analysis of data from 2009 Medical Expenditure Panel Survey.

Health Care Sector as Economic Engine

- Health care spending made of 13 percent of Minnesota's economy in 2011.
 - Hospital care spending constituted 5%
 - Physician services spending made up 2%
- Health care employees make up 12.4 percent of Minnesota's employees

Employment Trends in Health Care

Growth in MN Employment in Health Care vs. All Industries



Additional Information from the Health Economics Program Available Online

- Health Economics Program Home Page
 - www.health.state.mn.us/divs/hpsc/hep/index.html
- Publications
 - www.health.state.mn.us/divs/hpsc/hep/publications/yearly/2010.html
- Health Care Market Statistics (Presentation Slide Decks)
 - www.health.state.mn.us/divs/hpsc/hep/chartbook/index.html
- Interactive Health Insurance Statistics
 - <https://pgc.health.state.mn.us/mnha/Welcome.action>