

Health Economics Program Overview

House Health & Human Services Finance Committee

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Overview

- History
- Health policy and research role
- Data on cost, quality, and access
- Market analysis examples:
 - Health care spending
 - Health insurance coverage
 - Health care services and utilization

History

- Program started in the late 1980s
- Home of the **State Health Economist**
- Expanded in the early 1990s to monitor and **provide unbiased analysis of Minnesota's health care market**
- **Definitive source** on trends and characteristics of the uninsured
- Staff public task forces on health policy issues
- Implementing Minnesota's 2008 Health Reform Law to drive competition on cost and quality

Health Policy and Research Role

- Conduct **applied policy analysis and research** on health care cost, quality, coverage, and access
- Assist in the development and **analysis of health policy** to improve quality, affordability, and access
- **Monitor and report trends** in the health care market
- Conduct **administrative reviews**
- Implement the **2008 Minnesota Health Care Reform** law
 - Statewide Quality Reporting and Measurement System
 - Provider Peer Grouping

Primary Data Sources

- **Health care cost and spending:**
 - Health Plan Financial and Statistical Report
 - Medicare, state public program, and other spending data sources
 - Hospital financial data
 - Encounter data – All Payer Claims Data (APCD)
- **Health insurance coverage:**
 - Minnesota Health Access Survey (biennial)
 - Health Plan Financial and Statistical Report
 - Medicare and state public program enrollment data
 - Small group and individual market benefit survey

Primary Data Sources

- **Health care services and utilization:**
 - Hospital Health Care Cost Information System (HCCIS)
 - Diagnostic Imaging
 - Freestanding Surgical Centers
 - Capital Expenditure data
 - Encounter data - All Payer Claims Data (APCD)
 - **Health care quality:**
 - Statewide Quality Measurement and Reporting System
 - Encounter data - All Payer Claims Data (APCD)

Work Products – a Sample

- **Health care cost and spending:**
 - Minnesota Health Care Spending and Projections
 - Trends in Uncompensated Care at Minnesota's Hospitals
 - Administrative Costs at Minnesota Health Plans in 2008
 - Private Health Insurance Premiums and Cost Drivers in Minnesota, 2008
- **Health insurance coverage:**
 - Distribution of Health Insurance Coverage in Minnesota, 2008
 - Access to Care and Health Status Among Uninsured Minnesotans, 2007
 - Benefit Trends in Minnesota's Small Group and Individual Health Insurance Markets
 - Health Insurance Affordability Study

Work Products – a Sample

- **Health care services and utilization:**
 - Health Conditions Associated With Minnesotans' Hospital Use
 - Distribution of Minnesota Hospital Beds by Specialty
 - Minnesota Mental Health and Chemical Dependency Treatment Utilization Trends: 1998 - 2002
 - Factors Influencing Preventive Service Utilization By Minnesota Children
- **Health care quality:**
 - Health Care Quality Measures - Statewide Quality Report - 2010 Report
 - Quality Incentive Payment System Measures and Methodology – Final Recommendations
 - Potentially Preventable Hospitalization Among Minnesotans, 2007

Work Products – a Sample

- **Other health care market issues:**
 - Health Plan Community Benefit Study
 - Minnesota Hospitals: Uncompensated Care, Community Benefits, and the Value of Tax Exemptions
 - Factors and Incentives Driving Investment in Medical Facilities
 - MN Hospital Public Interest Review: Proposal for a Specialty Psychiatric Hospital in Woodbury
 - Medicare Supplemental Coverage and Prescription Drug Use, 2004

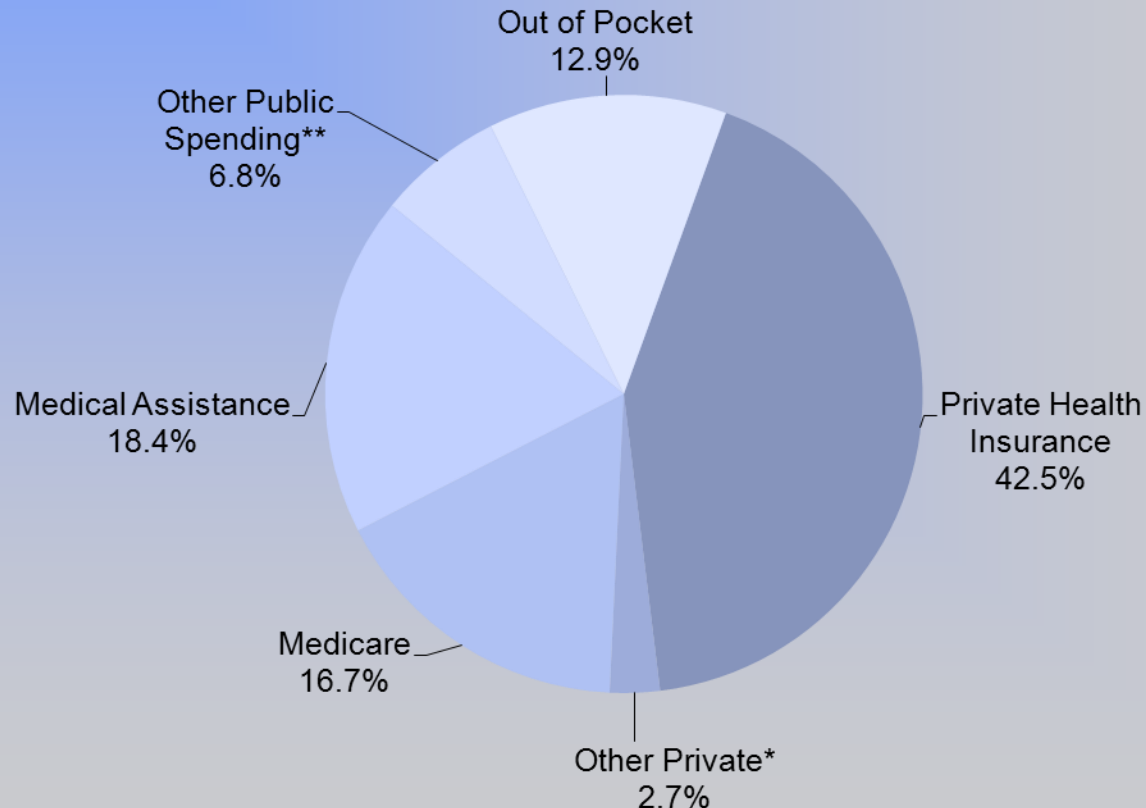
Health Care Spending

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

	2004	2005	2006	2007	2008
Per Capita Health Care Spending:					
Minnesota	\$5,409	\$5,706	\$6,029	\$6,403	\$6,720
U.S.	\$5,916	\$6,262	\$6,616	\$6,929	\$7,166
Health Care Spending as a Share of the Economy:					
Minnesota	12.3%	12.5%	12.9%	13.2%	13.4%
U.S.	14.6%	14.7%	14.7%	14.8%	15.1%

Minnesota Health Care Spending by Source of Funds, 2008

Total Spending \$35.1 Billion



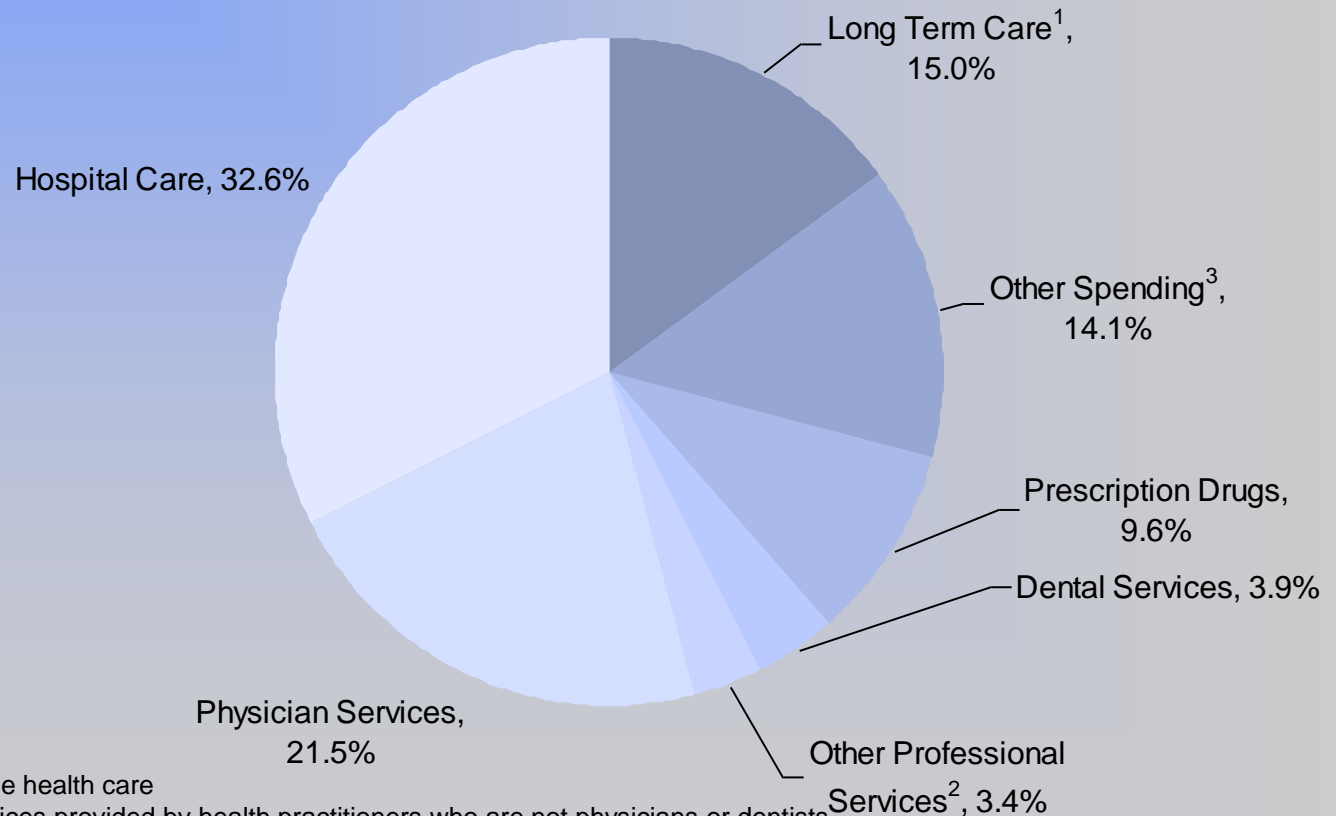
*Other major private payers include, private worker's compensation and auto medical insurance.

**Major components of other public spending are MinnesotaCare, General Assistance Medical Care, government worker's compensation, Veteran Administration and Minnesota Comprehensive Health Association.

Source: MDH Health Economics Program

Minnesota Health Care Spending by Type of Service, 2008

Total Spending, \$35.1 Billion



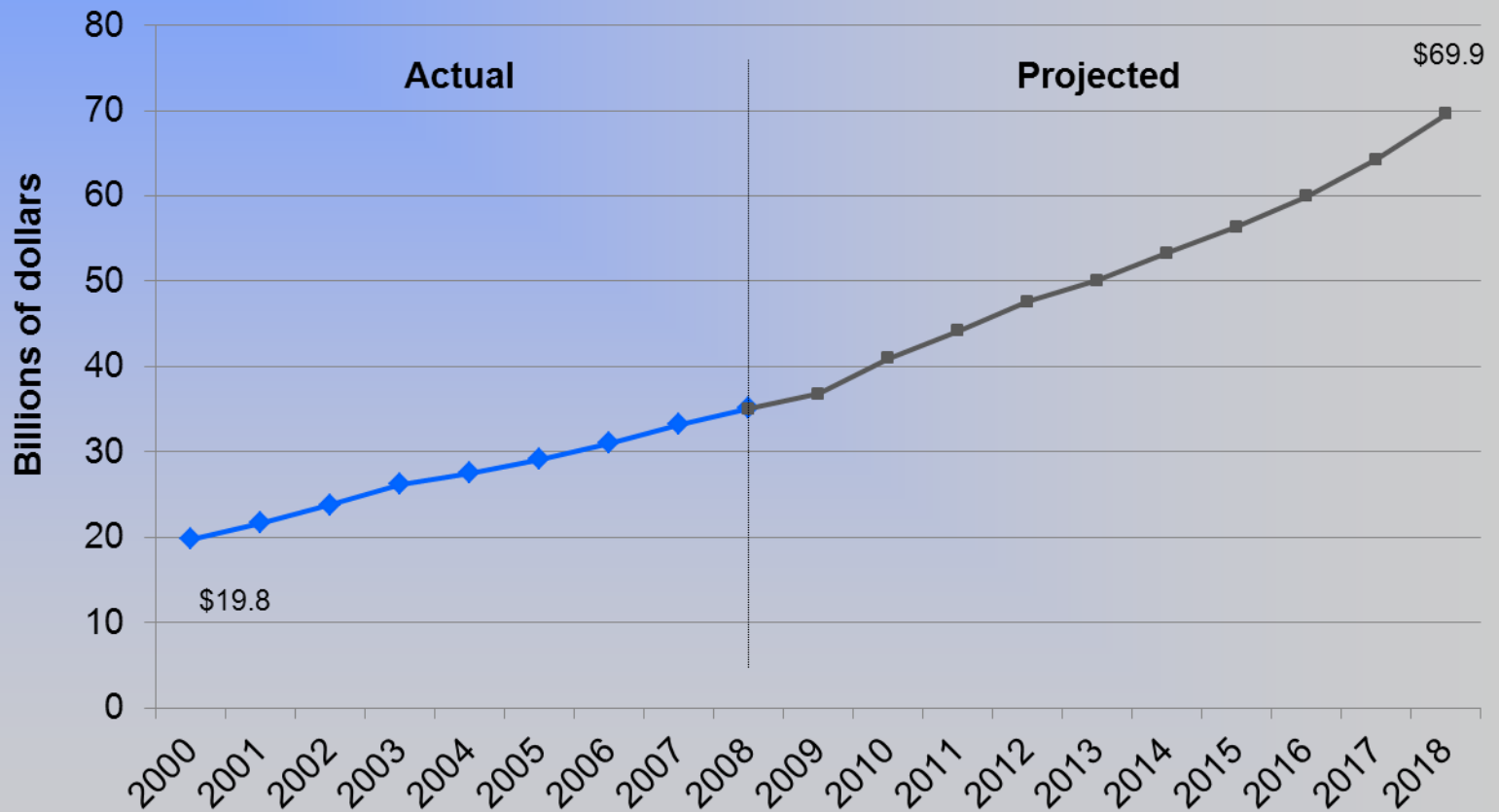
¹ Includes home health care

² Includes services provided by health practitioners who are not physicians or dentists

³ All other spending, including chemical dependency and mental health services, durable medical goods, and non-medical health care spending

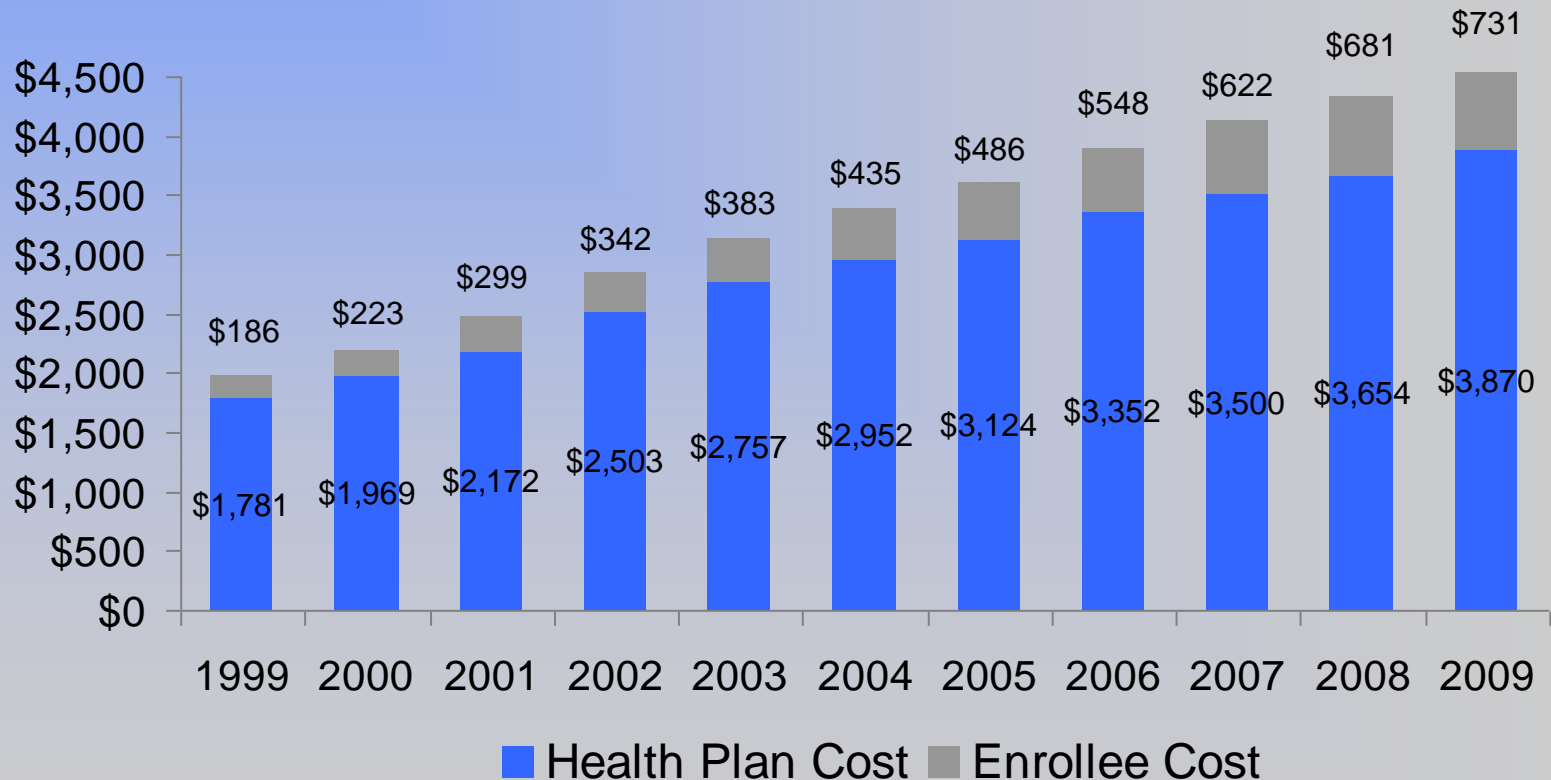
Source: MDH Health Economics Program

Actual and Projected Total Health Care Spending in Minnesota



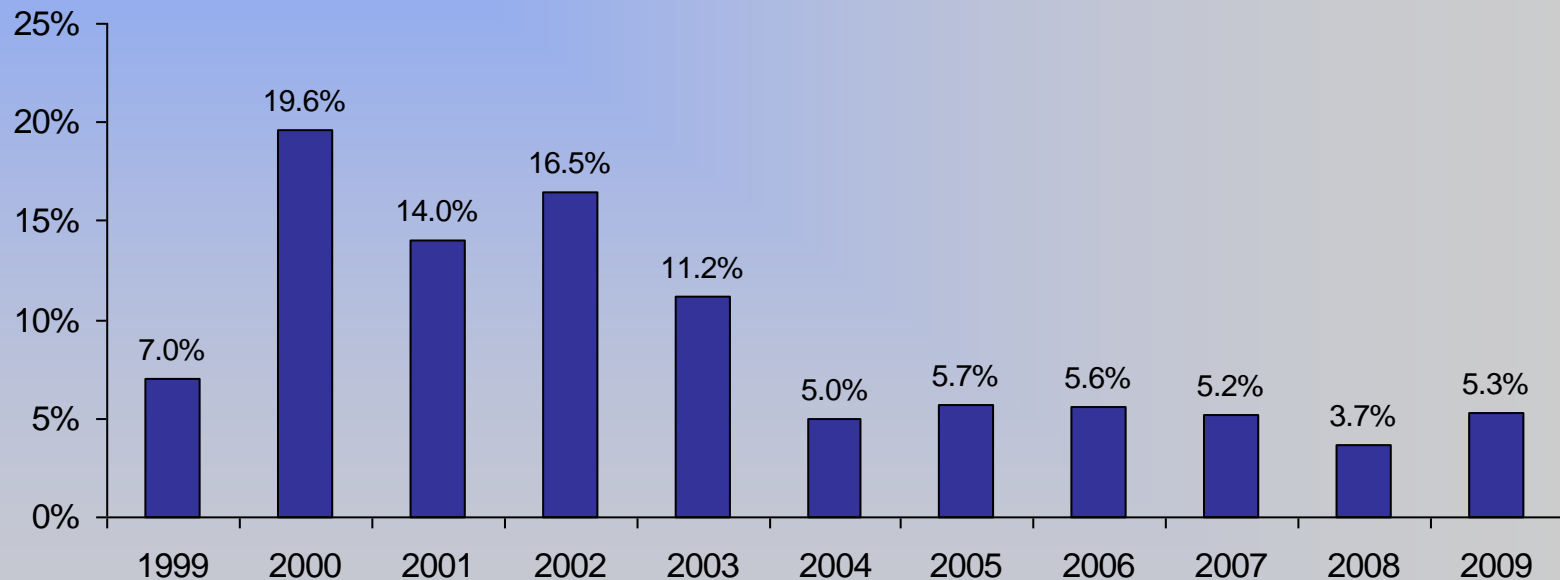
Total Cost Per Person and Health Plan/Enrollee Shares, 1999 to 2009 (preliminary estimates)

Minnesota Fully-Insured Private Market

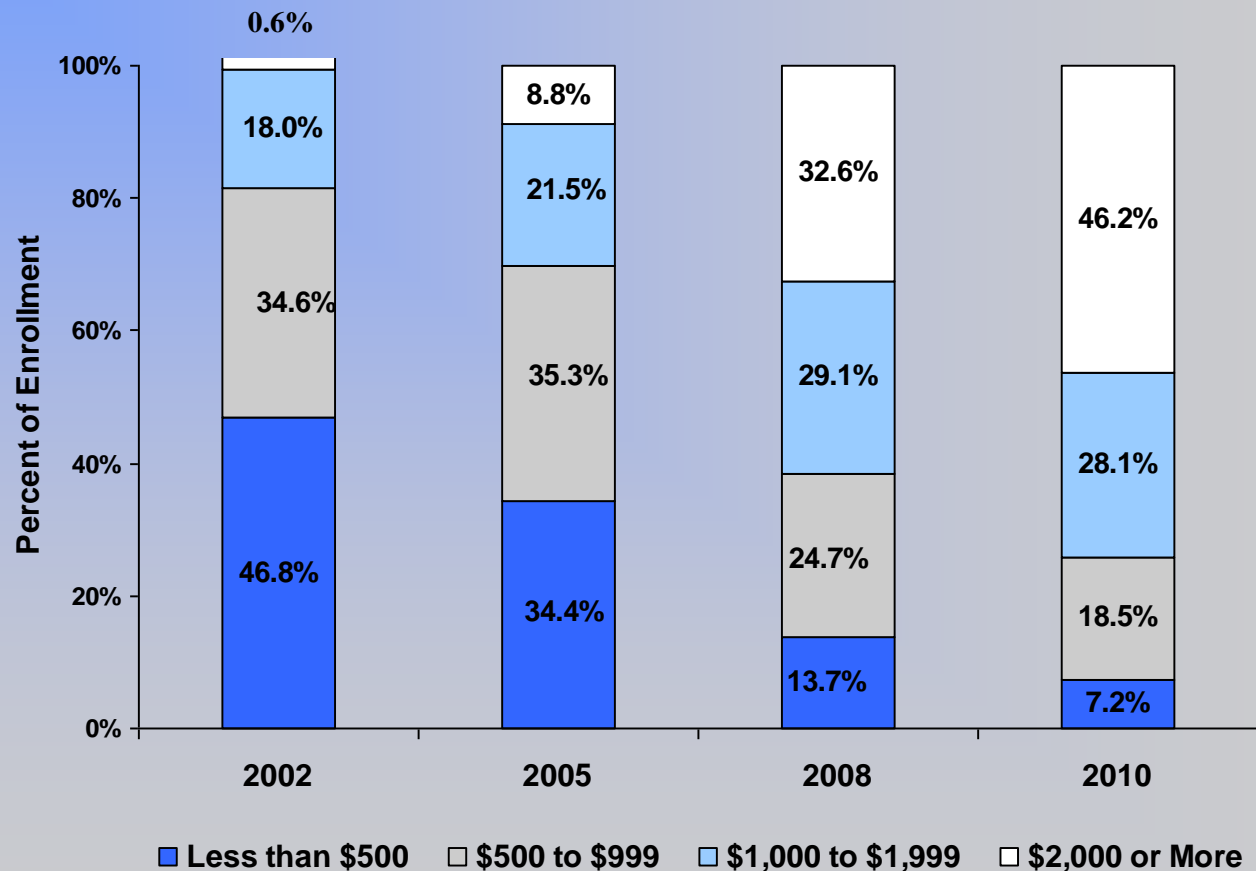


Premium Increases in Minnesota's Small Group Market

Percent Change in Premium Per Member



Distribution of Deductibles in the Small Group Market

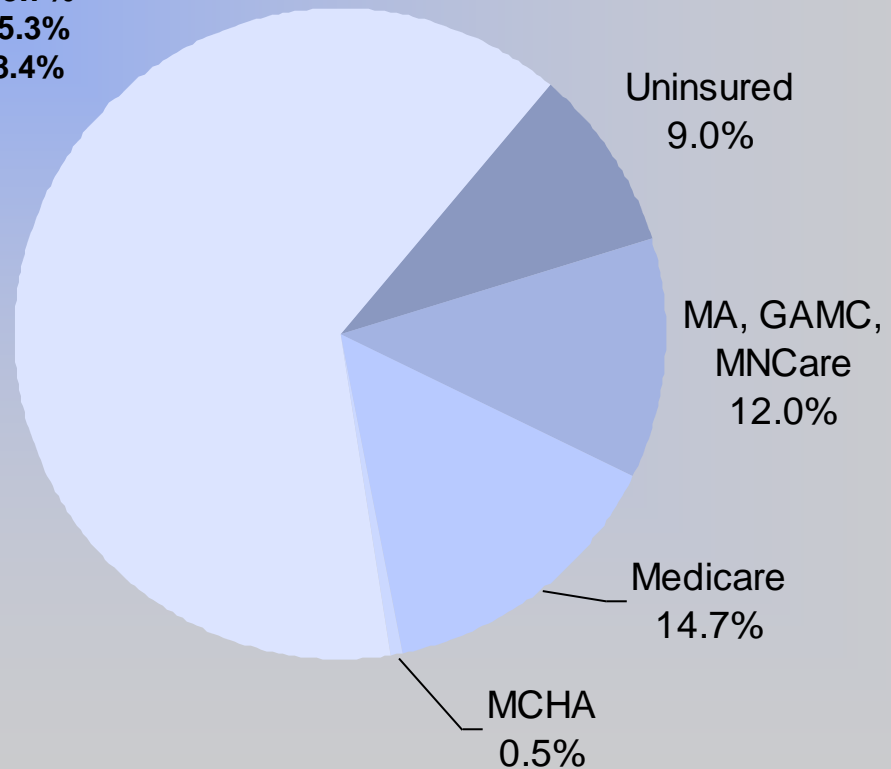


Health Insurance Coverage

Distribution of Minnesota Population by Primary Source of Insurance Coverage, 2009 (preliminary estimates)

Total Population 5.3 Million

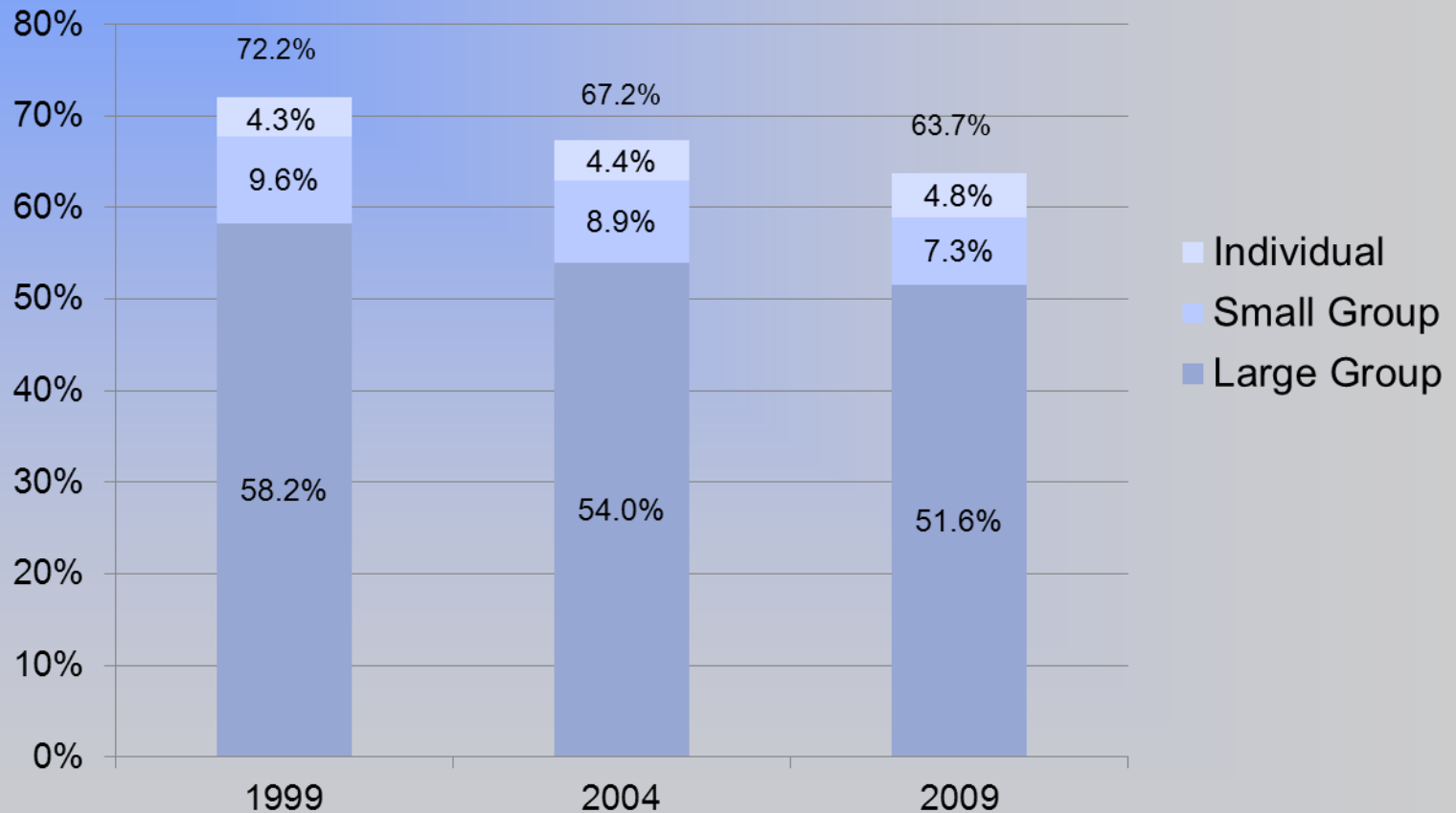
Private Health Insurance: 63.7%
Fully insured 25.3%
Self-insured 38.4%



Trend in Minnesota's Distribution of Health Insurance Coverage (preliminary estimates)

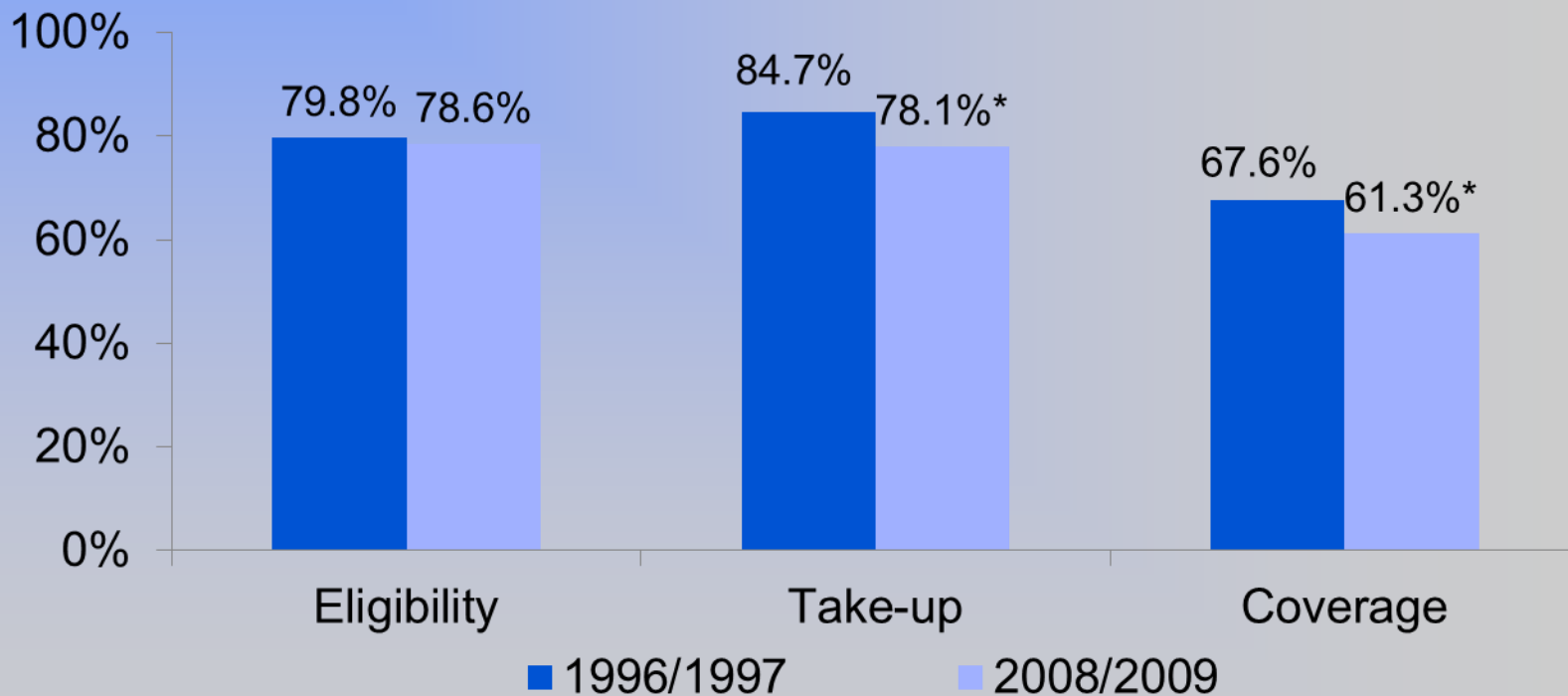
	1999	2004	2009
Public	22.4%	25.1%	27.3%
Medicare	13.3%	13.5%	14.7%
Medical Assistance	6.0%	7.5%	9.0%
MinnesotaCare	2.2%	2.8%	2.3%
GAMC	0.5%	0.7%	0.7%
MCHA	0.4%	0.6%	0.5%
Private	72.2%	67.2%	63.7%
Fully Insured	34.5%	27.2%	25.3%
Self-Insured	37.7%	40.0%	38.4%
Uninsured	5.4%	7.7%	9.0%
Total	100%	100%	100%

Trend in Minnesota's Distribution of Private Health Insurance Coverage



Trends in Eligibility, Take-up and Coverage in Firms That Offer Health Insurance

Among Employees in Establishments that Offer Coverage

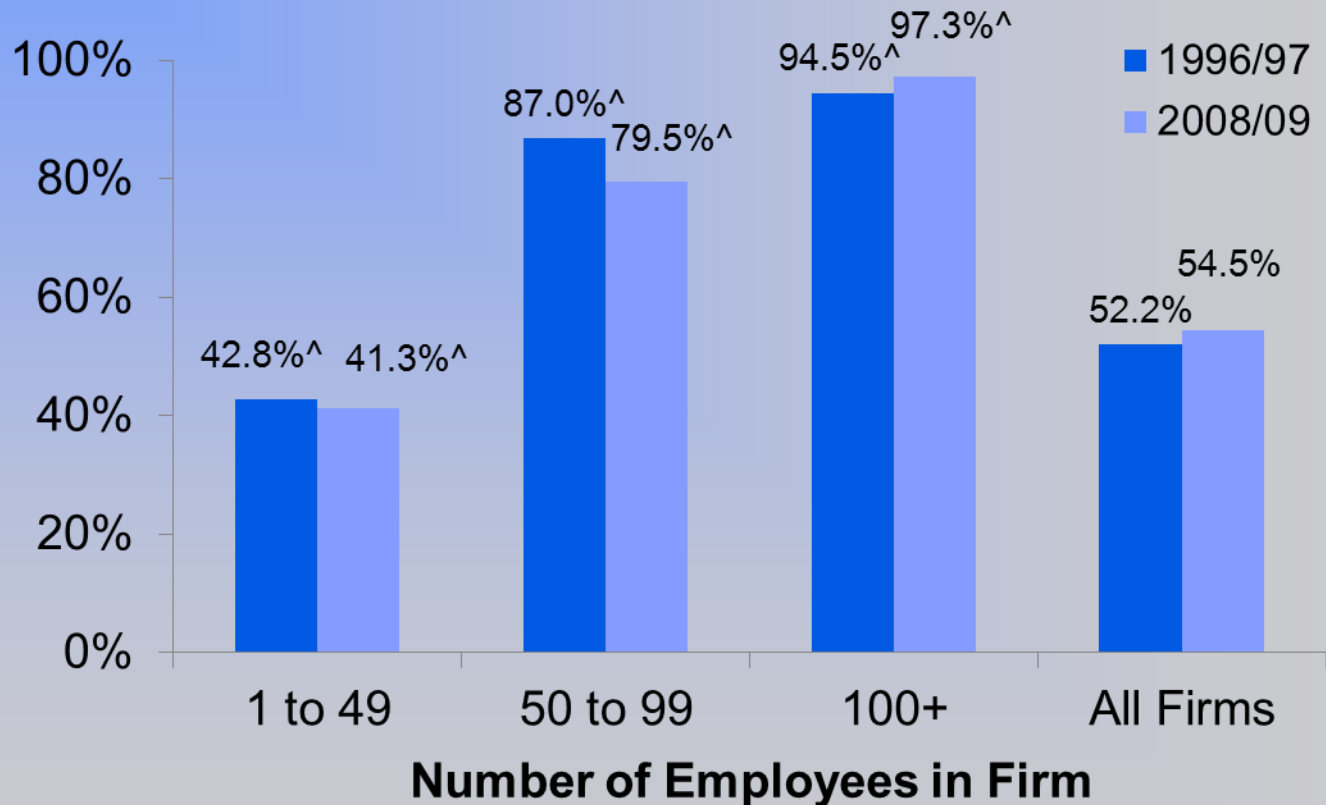


“Take-up” is the percentage of *eligible* employees who enroll in health insurance. “Coverage” is the percentage of all employees with an *offer* who enroll in health insurance.

*Indicates a statistically significant difference from previous time period shown.

Source: MDH analysis of data for private employers from the Medical Expenditure Panel Survey/IC Component.

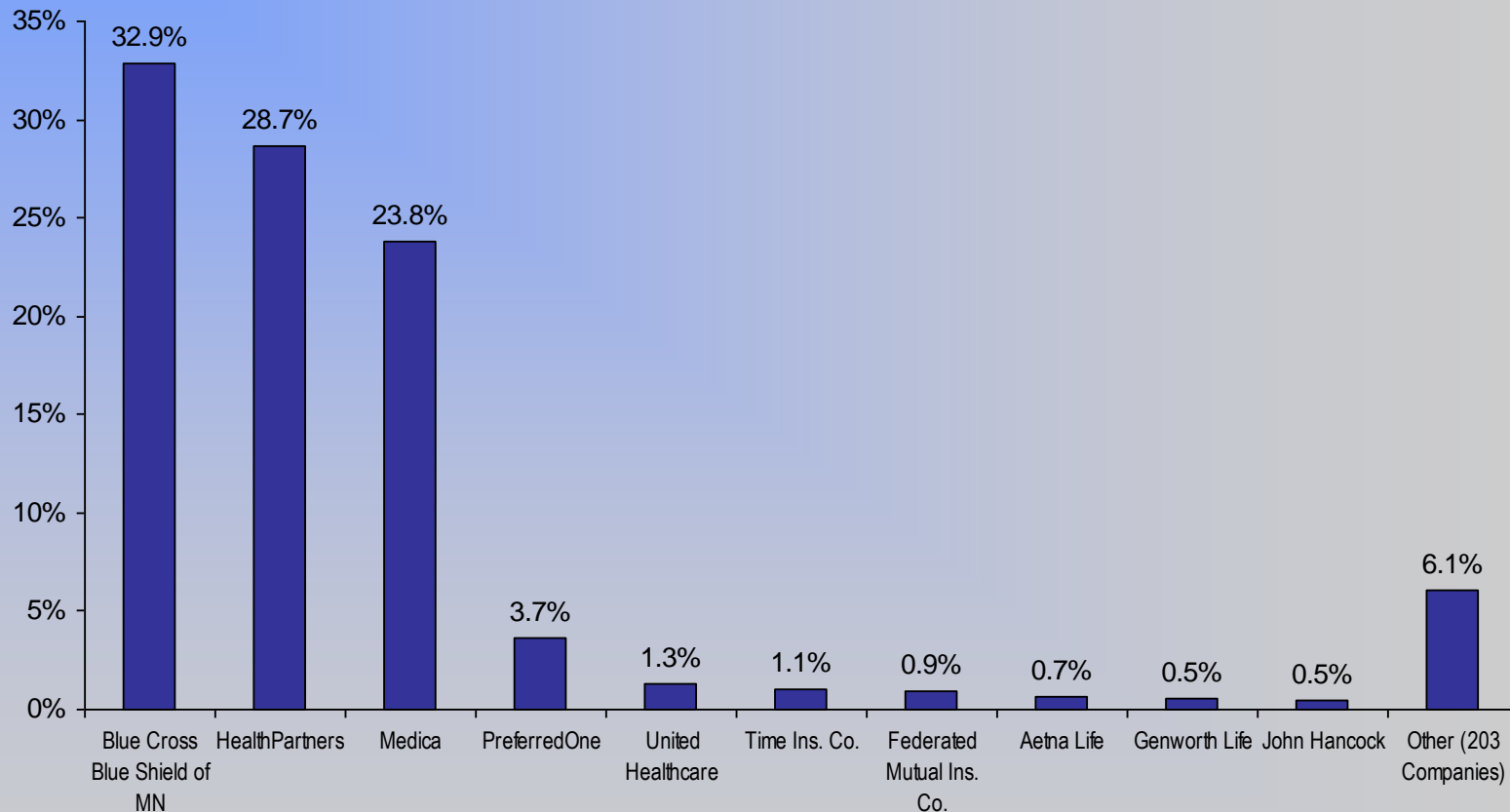
Percent of Minnesota Employers Offering Health Insurance Coverage, by Firm Size



Source: MDH analysis of data for private employers from the Medical Expenditure Panel Survey/Insurance Component (years are pooled to improve the statistical validity of the estimates).

^Indicates a statistically significant difference to estimate for "All Firms" within time period. Estimates between time periods shown are not statistically significant.

Health Plan Market Shares: Total Fully-Insured Private Market, 2009 (Premium Volume: \$6.0 billion)

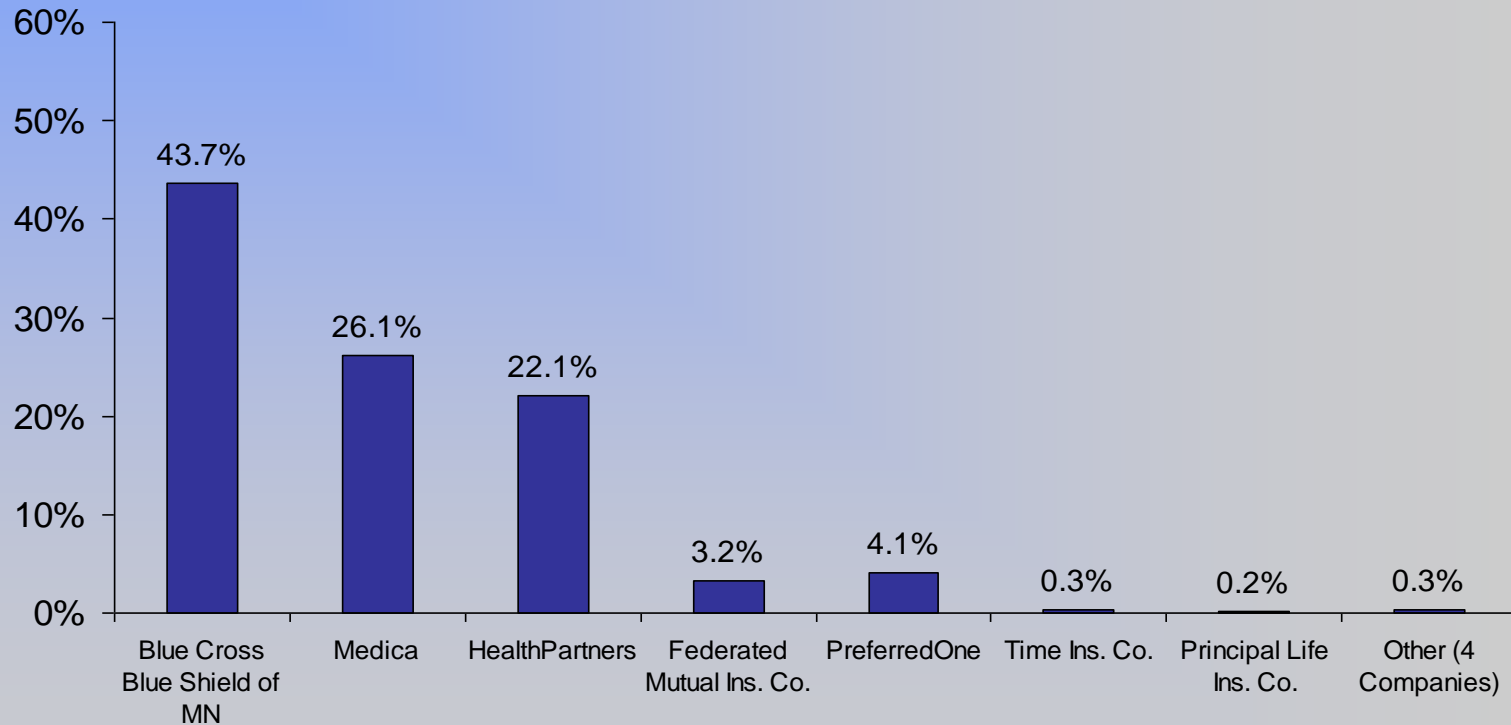


Companies with common ownership were treated as one entity. For example, Blue Cross Blue Shield of Minnesota includes BCBSM and Blue Plus. Fully insured market only, market share based on premium volume. Does not total to 100 percent due to rounding.

Source: MDH Health Economics Program, analysis of MCHA Premium Database for 2009.

Health Plan Market Shares: Small Group Market, 2009

Total Premium Volume in 2009: \$1.5 billion

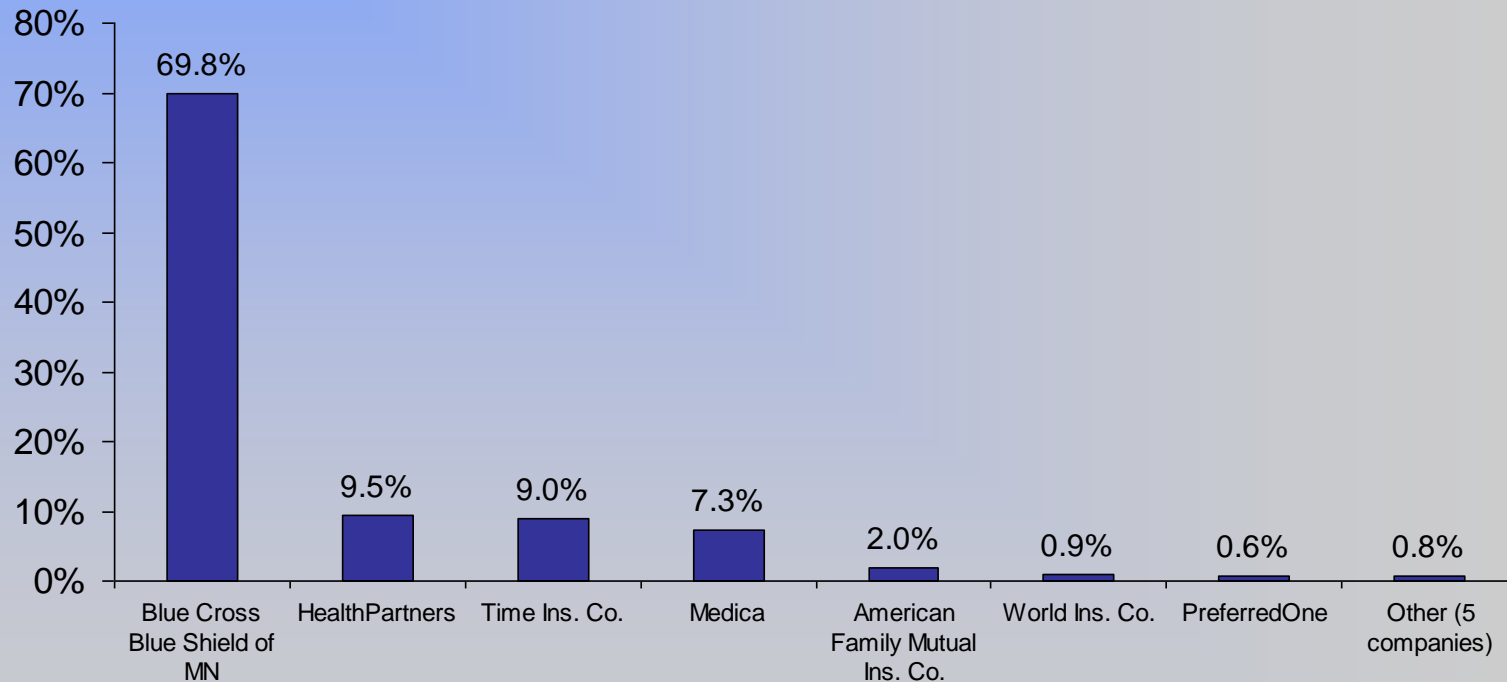


Companies with common ownership were treated as one entity. For example, Blue Cross Blue Shield of Minnesota includes BCBSM and Blue Plus. Market shares based on premium volume; fully insured market only.

Source: Minnesota Department of Commerce, "Report of 2009 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies Nonprofit Health Service Plan Corporations and Health Maintenance Organizations," June 2010.

Health Plan Market Shares: Individual Market, 2009

Total Premium Volume in 2009: \$626 million



Companies with common ownership were treated as one entity. For example, Time Ins. Co. includes Time Ins. Co. and John Alden Life Ins. Co. Market shares based on premium volume; fully insured market only. Source: Minnesota Department of Commerce, "Report of 2009 Loss Ratio Experience in the Individual and Small Employer Health Plan Markets for: Insurance Companies Nonprofit Health Service Plan Corporations and Health Maintenance Organizations," June 2010.

Market Share of Minnesota Non-Profit Health Plans 2003 to 2009



Market share calculated as share of premiums in the fully-insured health insurance market.
Source: MDH analysis of the premium assessment base for the Minnesota Comprehensive Health Association

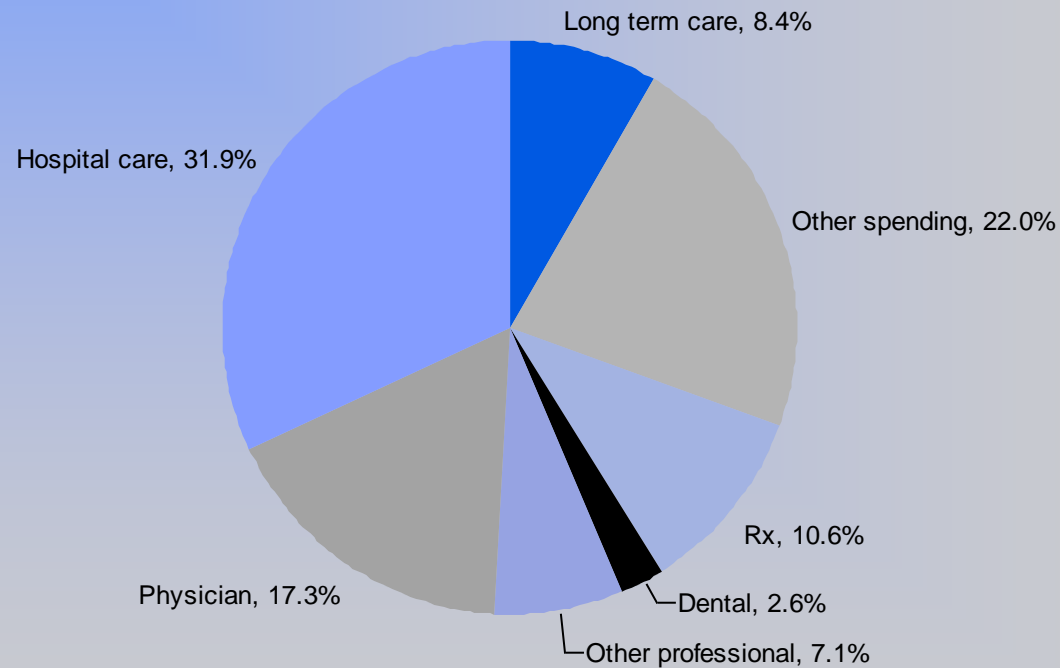
Minnesota HMO Market Penetration 2003 to 2009

	2003	2004	2005	2006	2007	2008	2009
Total HMO Enrollment	1,236,439	1,092,870	980,374	894,429	869,906	864,119	886,554
Minnesota Population	5,047,862	5,079,344	5,106,560	5,148,346	5,191,206	5,230,567	5,266,214
HMO Enrollment as Percent of Population, by Type of Product							
Commercial	14.3%	11.9%	9.6%	8.1%	7.5%	6.9%	6.0%
Public	10.2%	9.6%	9.6%	9.3%	9.2%	9.6%	10.8%
All Products	24.5%	21.5%	19.2%	17.4%	16.8%	16.5%	16.8%

Distributions of Health Care Spending, 2009

(Managed Care Component)

State Public Program Population

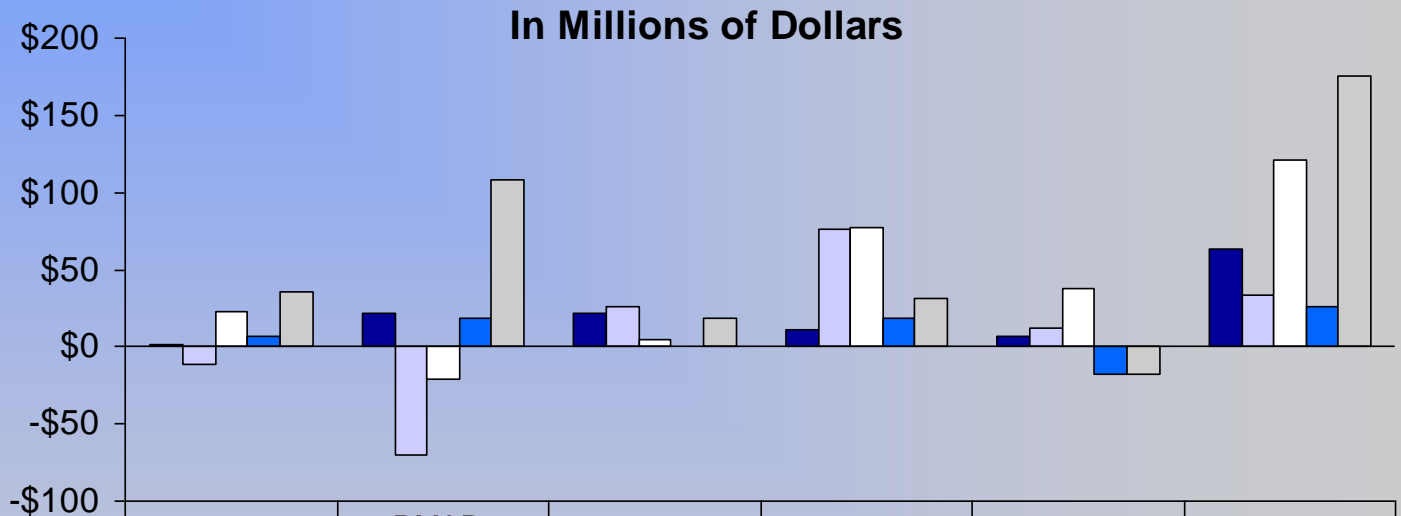


Long term care includes home health care; Other professional services includes services provided by health practitioners who are not physicians or dentists; other spending, including chemical dependency and mental health services, durable medical goods, and non-medical health care spending

Includes spending for enrollees in state public health care programs administered by HMOs.

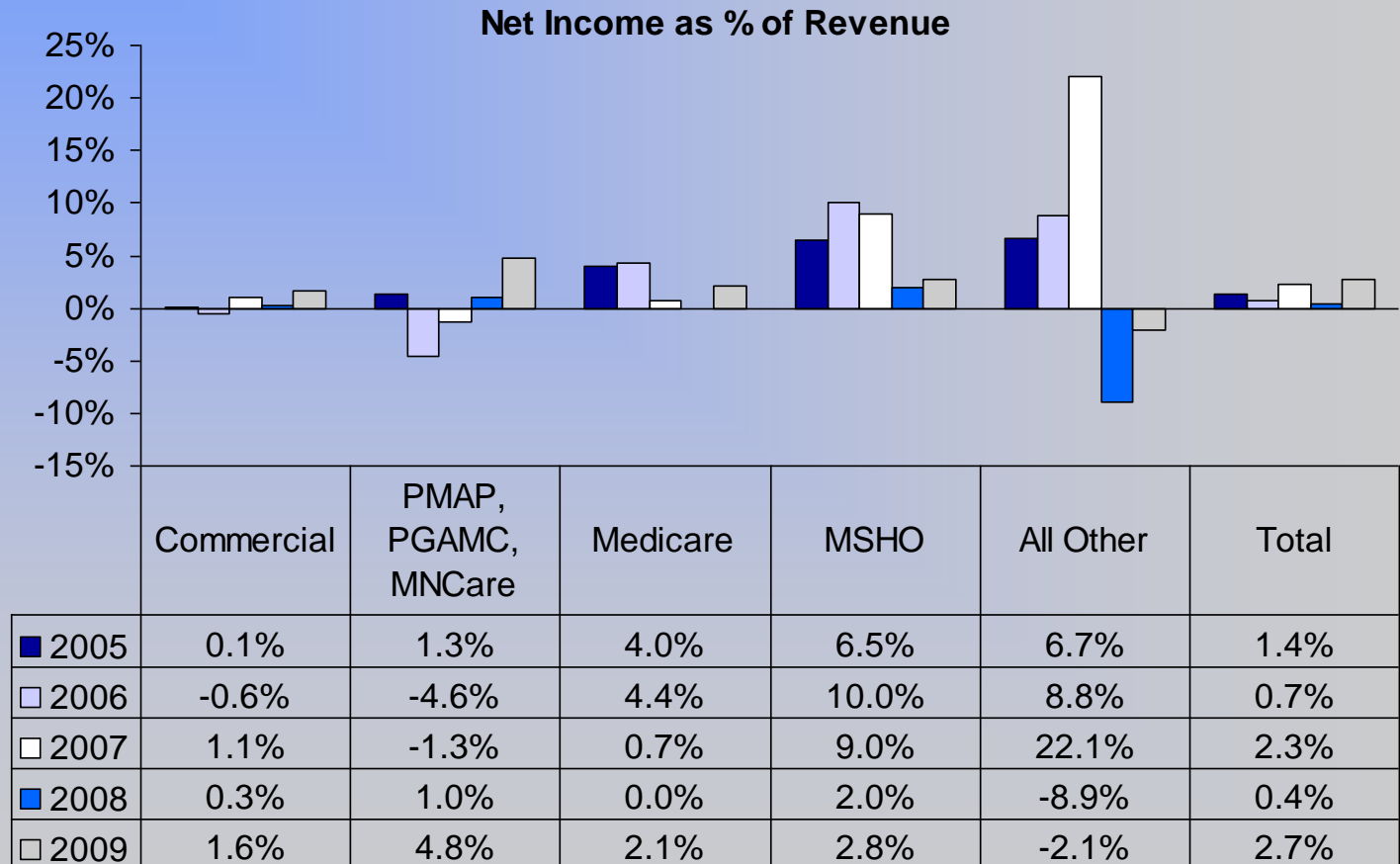
Source: MDH Health Economics Program

Minnesota HMO Net Income by Product Line, 2005 to 2009



	Commercial	PMAP, PGAMC, MNCare	Medicare	MSHO	All Other	Total
■ 2005	\$1.2	\$22.1	\$22.1	\$10.8	\$7.2	\$63.6
□ 2006	(\$11.1)	(\$70.0)	\$26.1	\$75.7	\$12.6	\$33.2
□ 2007	\$23.0	(\$21.3)	\$4.6	\$76.9	\$38.1	\$121.2
■ 2008	\$7.0	\$18.7	(\$0.1)	\$18.1	(\$17.7)	\$26.0
□ 2009	\$35.2	\$108.1	\$18.6	\$31.4	(\$17.9)	\$175.5

Minnesota HMO Profitability by Product Line, 2005 to 2009



Sources of HMO Net Income 2005 to 2009

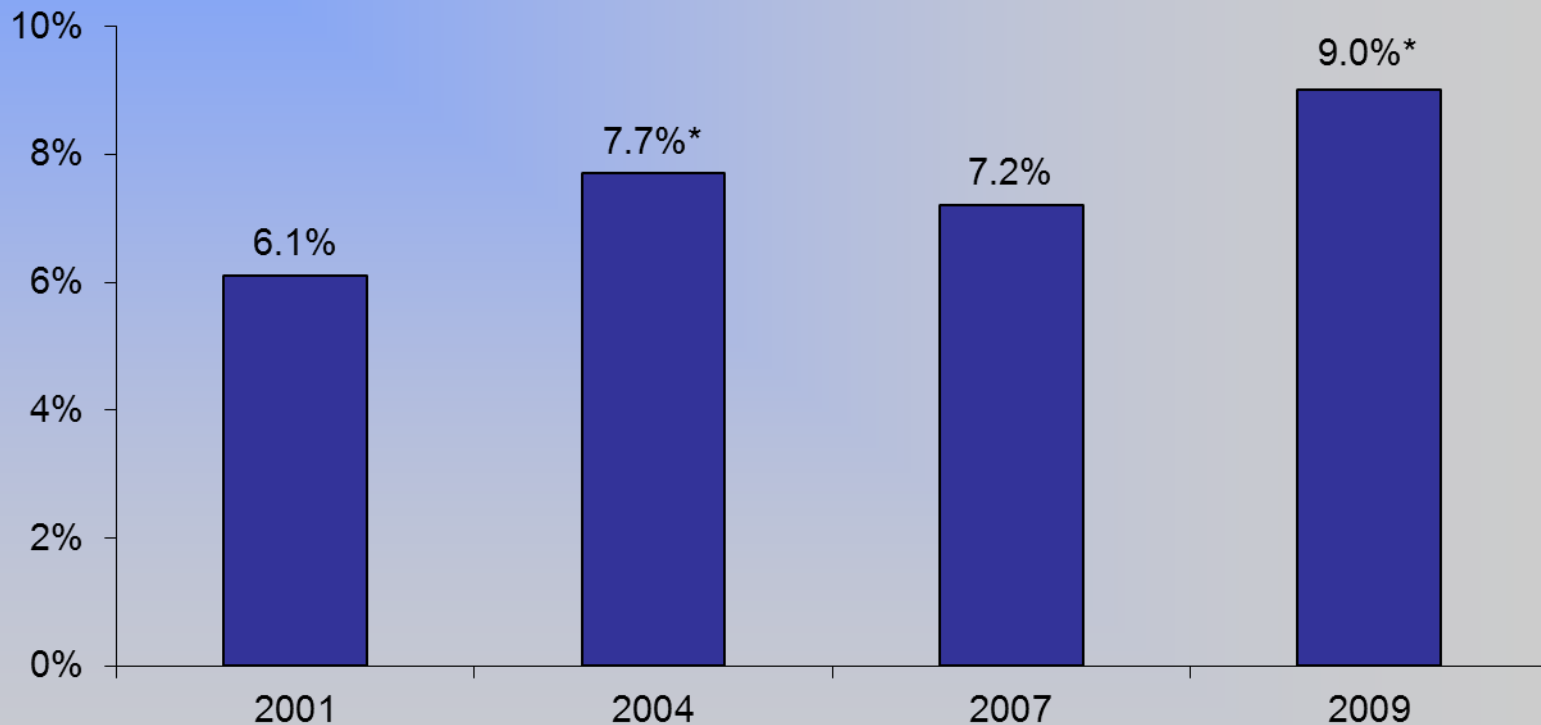
In Millions of Dollars

	2005	2006	2007	2008	2009
<u>Sources of Net Income:</u>					
Net underwriting gain/loss	(\$5.2)	(\$43.8)	\$26.8	\$31.3	\$123.1
Investment Income	\$68.9	\$78.9	\$93.3	(\$5.5)	\$52.4
Other	(\$0.1)	(\$1.9)	\$1.2	\$0.2	\$0.0
Net Income	\$63.6	\$33.2	\$121.2	\$26.0	\$175.5
Investment income as % of net income	108.3%	237.6%	77.0%	-21.2%	29.8%

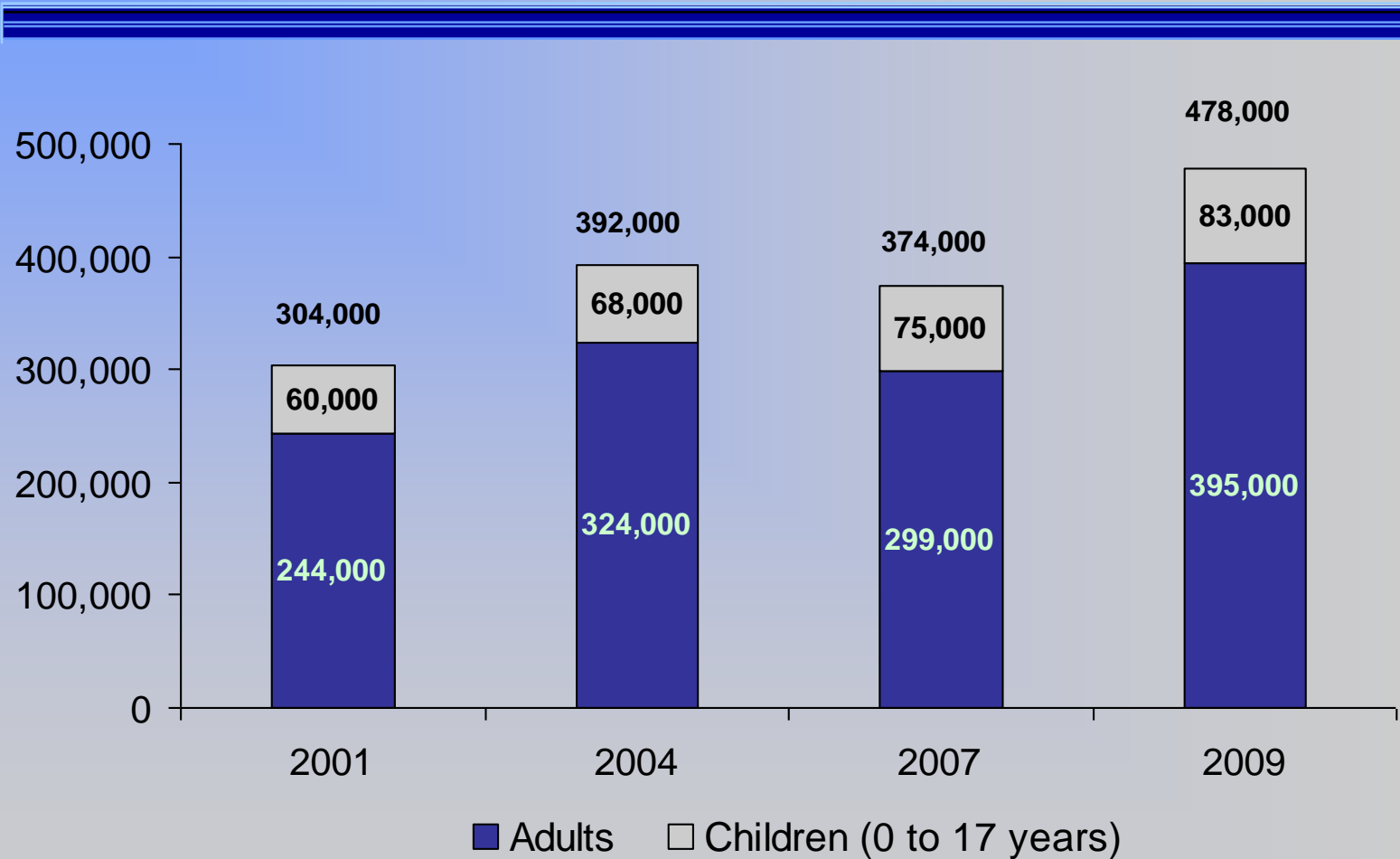
Health Plan Reserves for Minnesota Health Plan Companies (excludes national carriers)

	2005	2006	2007	2008	2009
Total Adjusted Capital (million \$)					
HMOs	\$998.9	\$1,071.7	\$1,208.3	\$1,165.0	\$1,355.4
MN Insurance Companies	\$147.6	\$177.4	\$203.9	\$236.6	\$282.2
CBPs	\$27.5	\$35.8	\$28.1	\$28.9	\$25.5
Percent Change to Previous Year					
HMOs		7.3%	12.7%	-3.6%	16.3%
MN Insurance Companies		20.1%	14.9%	16.0%	19.3%
CBPs		30.2%	-21.7%	3.1%	-11.9%

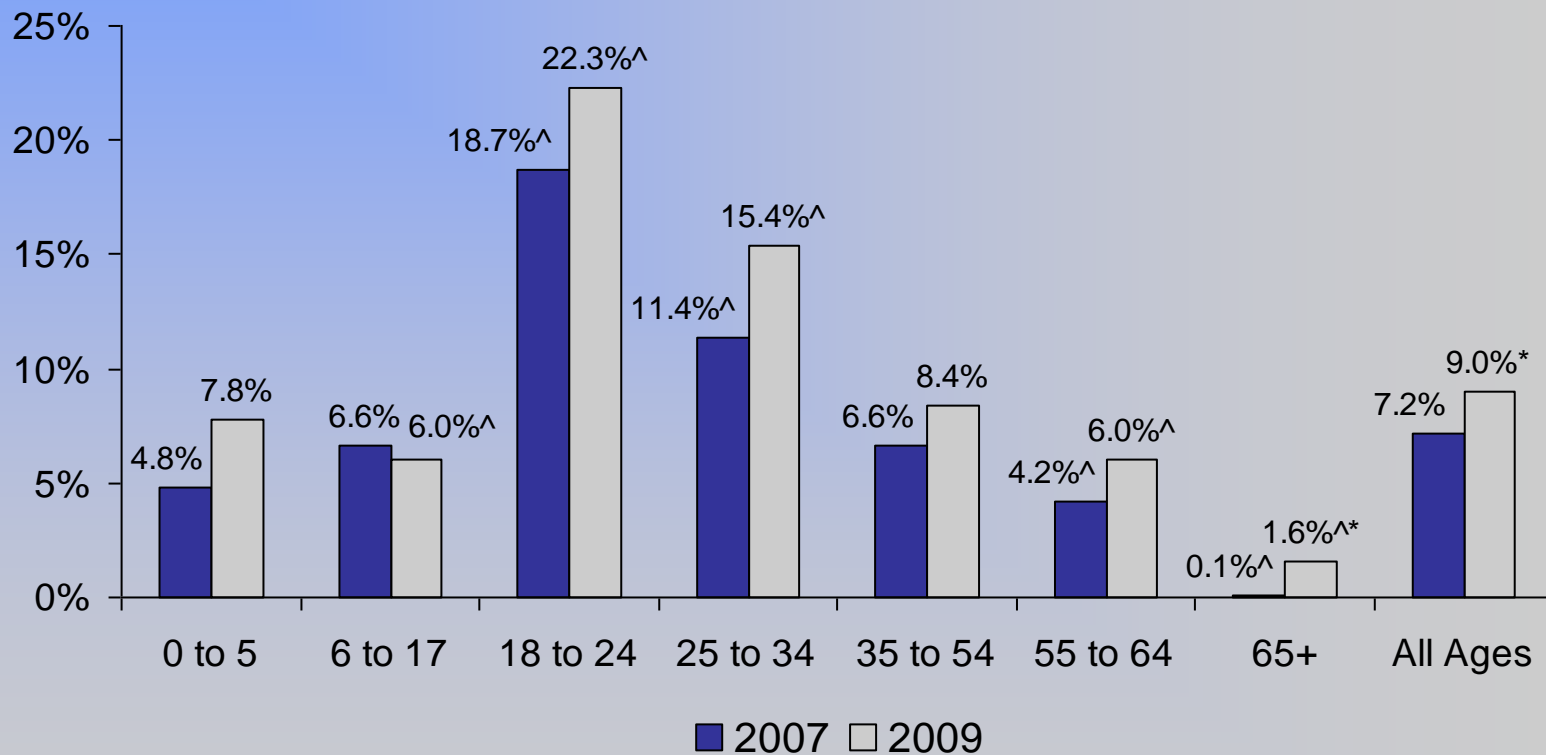
Uninsurance Rate Trends in Minnesota



Estimated Number of Uninsured in Minnesota



Minnesota Uninsurance Rates by Age

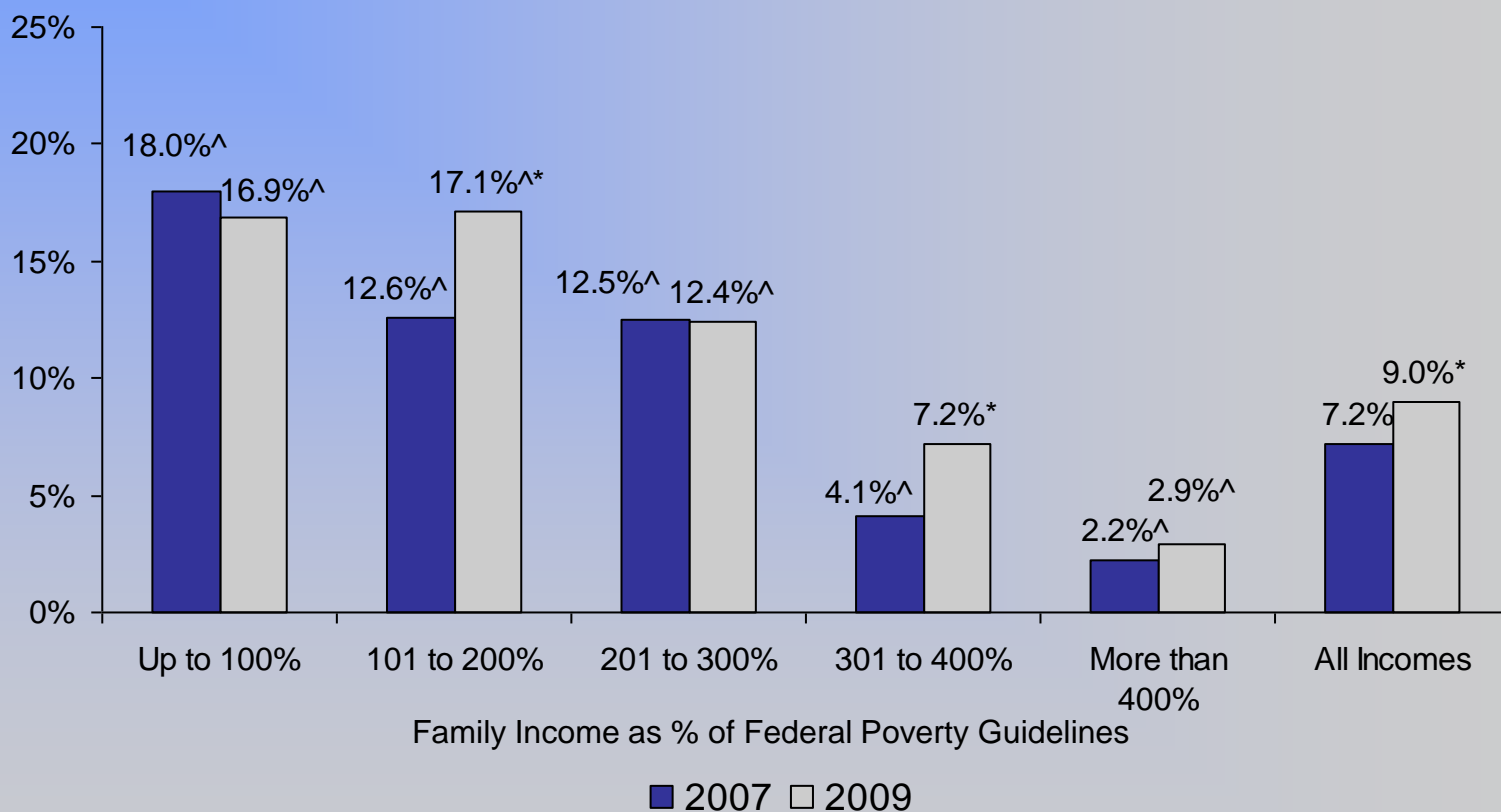


* Indicates statistically significant difference (95% level) from 2007.

^ Indicates statistically significant difference (95% level) from all ages within year.

Source: Minnesota Health Access Surveys, 2007 and 2009

Minnesota Uninsurance Rates by Income, 2007 and 2009

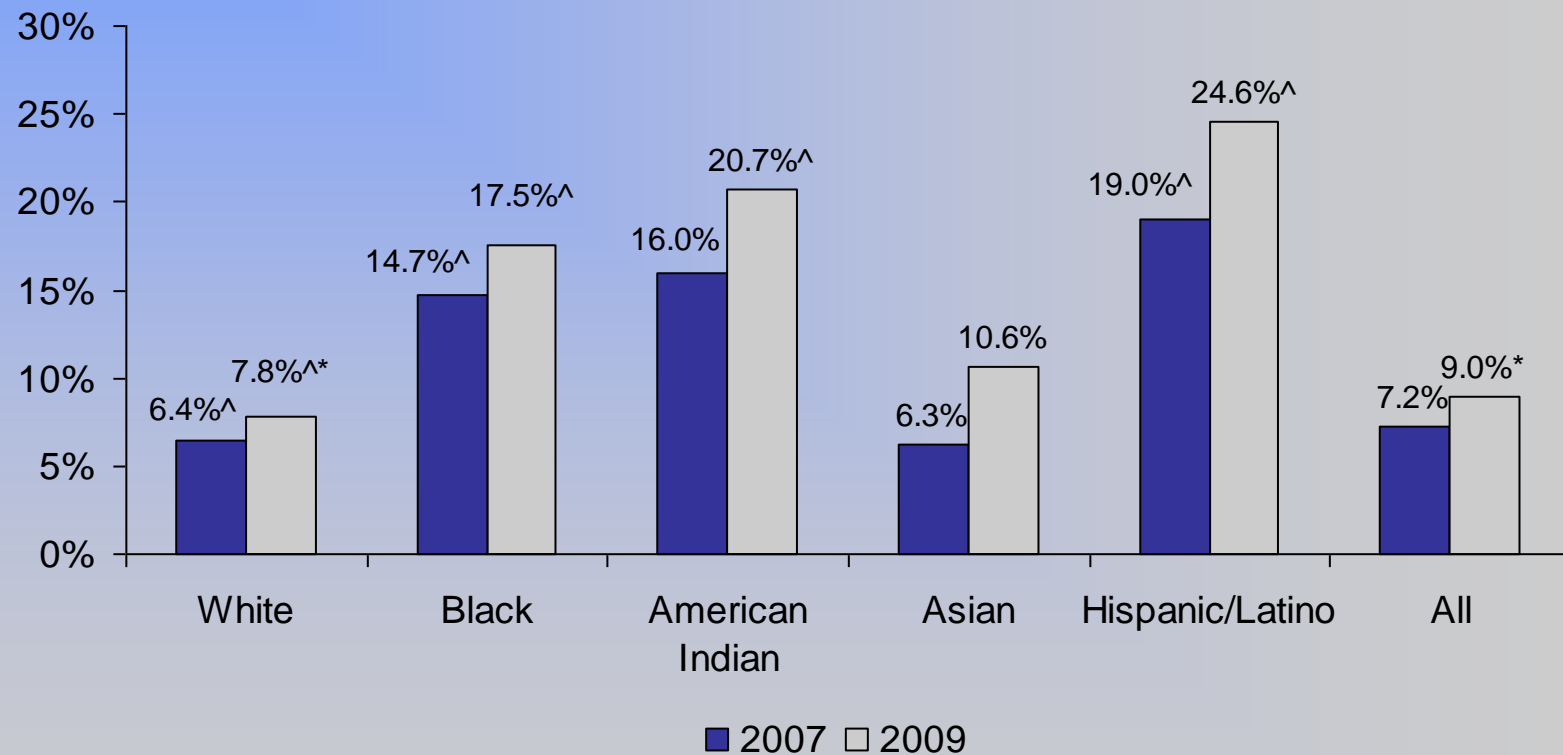


* Indicates statistically significant difference (95% level) from 2007.

[^] Indicates statistically significant difference (95% level) from all incomes within year.

Source: Minnesota Health Access Surveys, 2007 and 2009

Minnesota Uninsurance Rates by Race/Ethnicity, 2007 and 2009

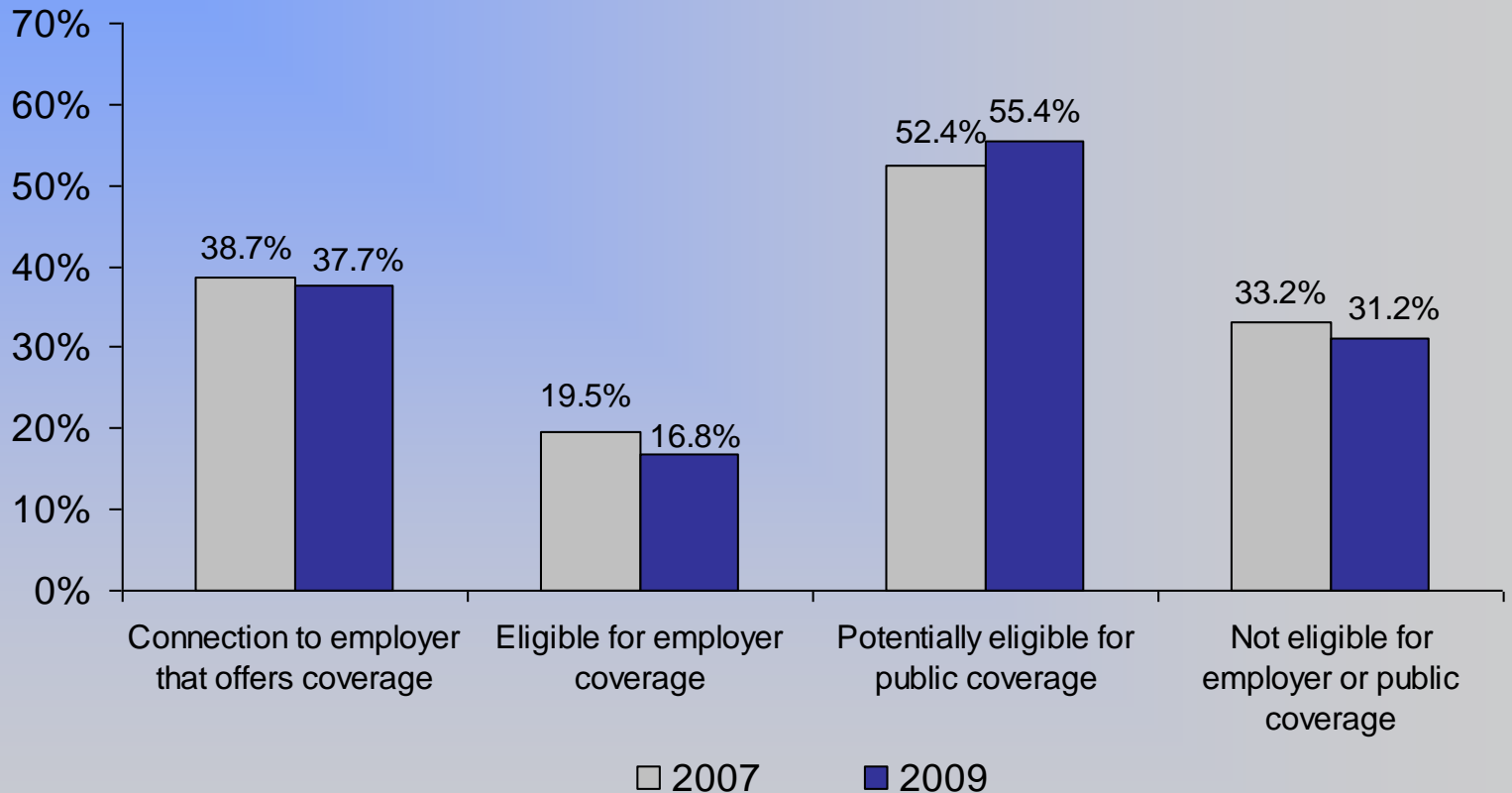


*Indicates statistically significant difference (95% level) from 2007.

^Indicates statistically significant difference from all Minnesotans within year (95% level).

Source: Minnesota Health Access Surveys, 2007 and 2009

Potential Access to Coverage for the Uninsured, 2007 to 2009



1. Employer offer: percent of uninsured who work for or have a family member who works for an employer offering coverage.
 2. Employer eligible: percent of uninsured who are eligible for coverage through an employer.
 3. Potentially public eligible: based on family structure, income, and eligibility for employer coverage.
- Note: The employer eligible, potentially public eligible, and not eligible for employer or public coverage categories add to more than 100 percent because some of the uninsured are potentially eligible for both employer or public coverage.

* Indicates statistically different from 2007 at 95% level.

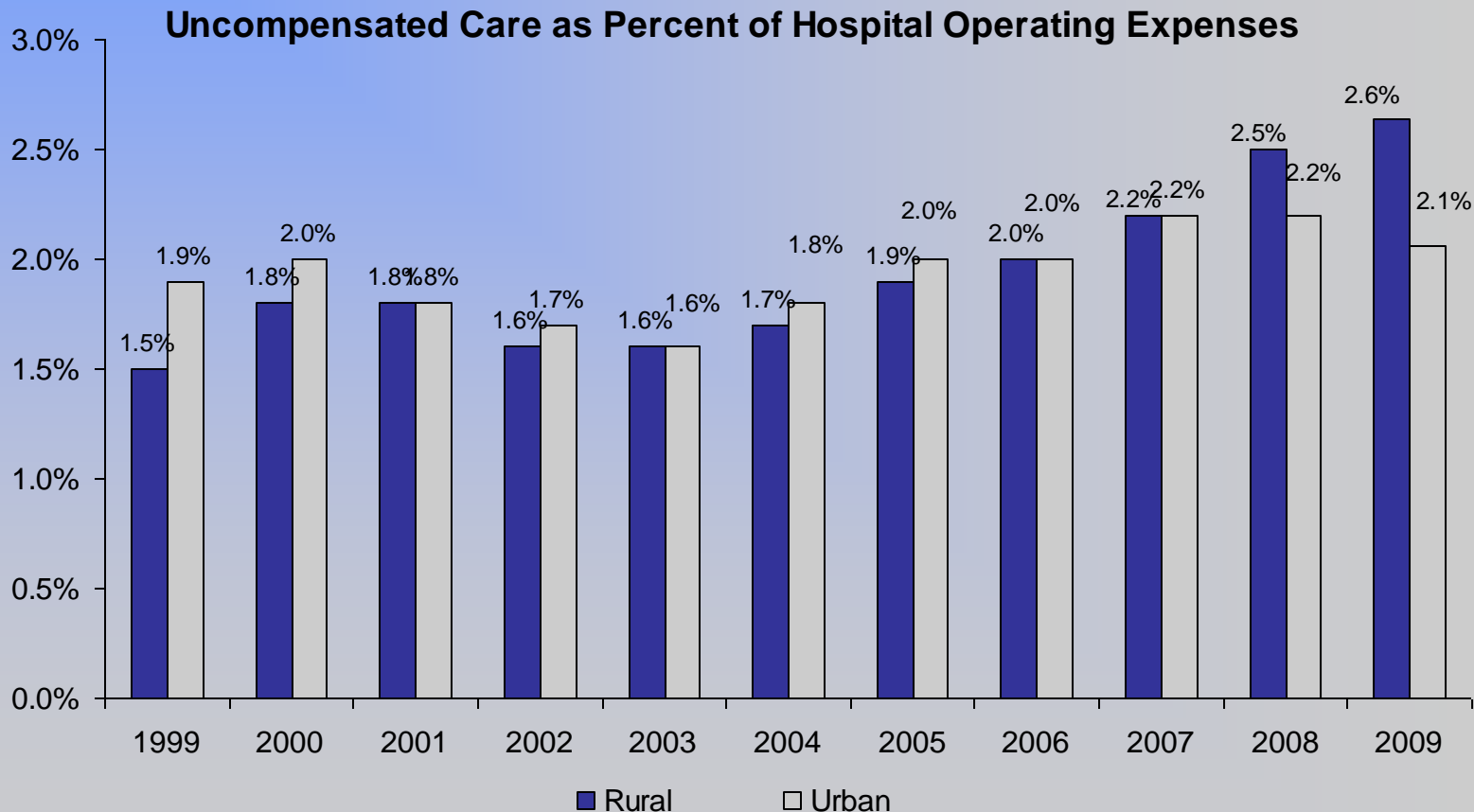
Source: 2007 and 2009 Minnesota Health Access Surveys

Health Care Services and Utilization

Trends in Uncompensated Care Costs in Minnesota Hospitals

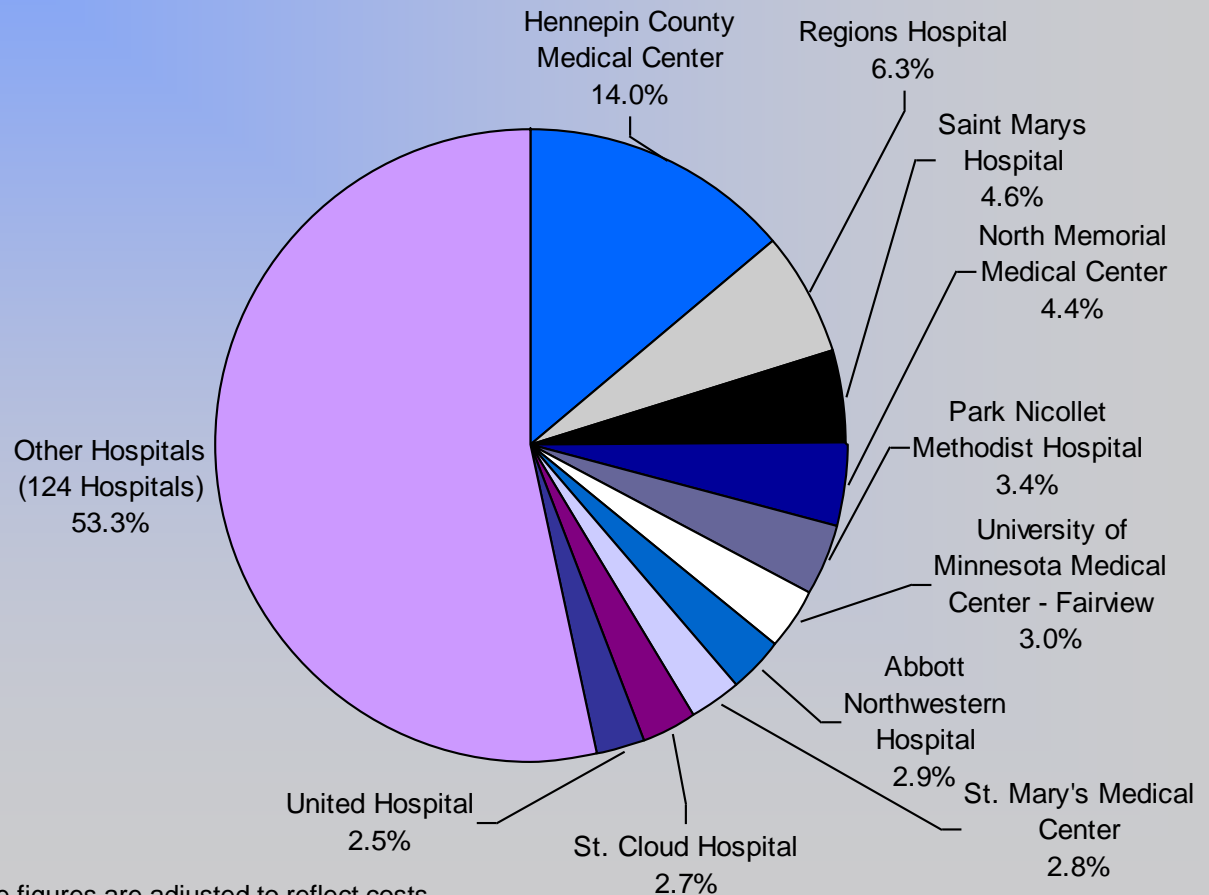


Uncompensated Care Trends for Rural and Urban Minnesota Hospitals



Distribution of Uncompensated Care by Hospital, 2009

2009 Total Uncompensated Care: \$278.1 Million

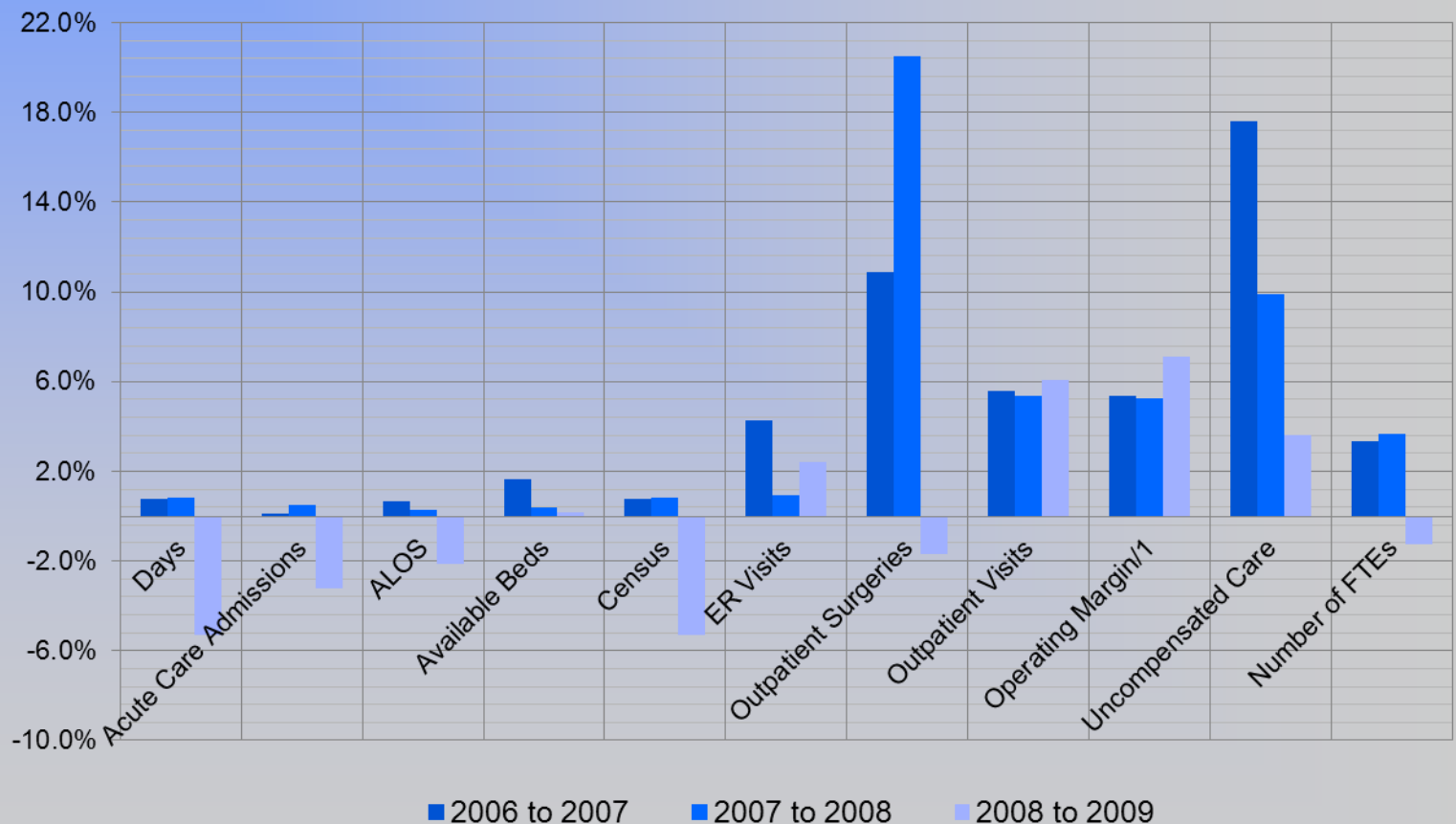


*Uncompensated care figures are adjusted to reflect costs.

Source: MDH analysis of data from the Health Care Cost Information System.

Trends in Key Indicators for Minnesota Community Hospitals

Percent Change from Previous Year



/1 Actual value

Source: MDH analysis of data from the Health Care Cost Information System.

Contacts & Additional Information

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- Health Care Market Statistics (Chartbook Updates)
<http://www.health.state.mn.us/divs/hpsc/hep/chartbook/index.html>
- Statewide Health Care Quality Report
<http://www.health.state.mn.us/healthreform/measurement/report/index.html>