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Governor's Health Care Cabinet

## Minnesota's Smart Buy Health Care Purchaser Alliance

**State Coverage Initiatives National Meeting**  
Session 6. "Purchasing Strategies to Increase Value and Access"

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Prepared by the Minnesota Department of Employee Relations

For more information contact us at:  
[www.maximumstrengthhealthcare.com](http://www.maximumstrengthhealthcare.com)

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## All too familiar territory...

Governor Pawlenty on the state of the State:


- ...if Minnesota is going to be an effective global competitor, we need to reform and improve our health care system
- Key challenges:
  - Families and employers are being squeezed by health care premium increases they can't keep up with.
  - Government welfare health care system is out of control and growing at a rate that will consume almost all of the state's budget within 15 years.

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## Governor Pawlenty's Health Cabinet


- Six state agency heads
  - State employees, Medicaid and other low income programs, regulatory functions, public health, workers compensation system, finance and budget
- The State of Minnesota should “lead the way” by “changing the way the state carries out its role as purchaser, regulator and provider of health care services.”
- Partner with private sector

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## Again, an all too familiar problem ...

- Now act typically as a “passive payer” rather than “prudent, proactive purchaser”
  - Lack of consistent, clear demands
  - Don't measure results, don't hold accountable
  - Pay indiscriminately
  - No consensus, no traction in the market
- Need to stop buying “dumb” and start buying “smarter”


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## Result

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- No surprise – system performs as structured and rewarded to perform
- Get what we pay for
  - Variable quality
    - IOM report: difference between what we have and what is possible is a “chasm”
  - Inefficiencies and cost without value
    - Not sustainable


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## Voluntary coalescence of coalitions

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- Two years of informal discussions
- Large employers, small and medium size employers, Taft-Hartley trusts, State employees and public programs
- Not seeking legislative or mandated approaches, not seeking new bureaucracies
- Increasing awareness of the need for value
  - IOM and patient safety, costs due to poor quality
  - Purchaser role and opportunity to drive value

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## Minnesota's Smart Buy Alliance

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- **What, who**
  - Health care purchasers representing roughly 3.5 million Minnesotans – from state government to small businesses
- **Why, how**
  - Voluntary -- Use state and private health care purchasing power to drive much needed value reform
- **When**
  - Announced by Governor Pawlenty Nov. 29, 2004
  - Immediately, and for contracts and arrangements for 2006
  - Ongoing


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## What isn't the "Smart Buy" Alliance?

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- A big government or big business takeover of health care
- A single "health care authority" or "czar"
- A new mega-health insurance or risk-sharing purchasing pool

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## What does the "Smart Buy" Alliance do?


- Agree on common goals, strategies and tools
- Put them in practice -- together
- Stop buying dumb
  - Demand far greater value
    - Push the "chasm" closed
  - Measure and reward performance

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## Starting points

- Use common principles and goals in buying health care
  1. Require or reward "best in class" certification
  2. Adopt uniform measures of quality and results
  3. Empower consumers with easy access to information
  4. Require the latest information technology

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***Principle #1: Require or reward "best in class" certification***

- **Problem:**
  - RAND: Only 50% chance of getting the right care when you visit the doctor\*
  - Providers with expertise, experience and proficiency get the best results but don't get recognized or paid differentially
- **Action:**
  - **Certify, use "Centers of Excellence" in evaluation, selection, rewards of care provider**

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***Principle #2: Adopt Uniform Measures of Quality and Results***

- **Problem:**
  - Purchasers independently seek information on costs and quality from health plans
    - Information provided isn't standard, comparable
    - High activity, high costs, but no overall improvements
- **Action:**
  - **Use a common purchase order to channel local efforts toward *community wide* health improvement needs**
    - National tool available as best practice - National Business Coalition on Health's "eValue8" RFI


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## Evalue8

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- Standard annual request for information
  - adoption of health information technology
  - member and provider communications
  - disease management
  - program administration
  - provider performance
  - patient safety
  - pharmacy management
  - behavioral health
  - financial stability


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### *Principle #3: Empower Consumers with Easy Access to Information*

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- Problem:
  - Consumers are flying blind.
  - Need information on cost, quality and variation that is easily comparable.
- Action:
  - **Purchasers make more quality information available to the public**
    - E.g., eValue8 results, Leapfrog, etc.

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## Health Information Resources for Minnesotans

- [www.Minnesotahealthinfo.org](http://www.Minnesotahealthinfo.org)
- Leapfrog
  - Purchaser effort for patient safety in hospitals
- Community Measurement
  - Health plan effort for comparison of clinics
- Adverse Events
  - First in the nation hospital effort to report medical mistakes in hospitals
- eValue8 Report Card
  - Purchaser effort to compare health plan performance

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## *Principle #4: Require the Latest Information Technology*

- Problem:
  - Health care lags in 21<sup>st</sup> century information technology
  - Result: Lives and dollars at risk
    - 10% of costs could be saved using health IT
    - Need safe, secure convenient, portable swipe cards, electronic physician order entry, electronic medical records
- Action:
  - **Demand, reward the latest information technology**



# Minnesota's "Smart Buy" Health Care Purchasing Alliance

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## Our target – 40% potential savings

- “**30 percent** of all direct health care outlays today are the result of poor-quality care, consisting primarily of overuse, misuse, and waste.”
  - Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership By the Midwest Business Group on Health in collaboration with Juran Institute, Inc. The Severyn Group, Inc. (2003) At: <http://www.mbgoh.org/pdf/Cost%20of%20Poor%20Quality%20Report.pdf>
- "Health information technology ... has the potential to produce savings of **10 percent** of our total annual spending on health care, even as it improves care for patients and provides new support for health care professionals."
  - 7/21/04 US HHS press release at: <http://www.hhs.gov/news/press/2004pres/20040721a.html>