



Sue Knudson, Vice President, HealthPartners

Interview with The Civic Caucus

8301 Creekside Circle #920, Bloomington, MN 55437

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Notes of the Discussion

Present: Verne Johnson (chair), David Broden, Janis Clay, Paul Gilje, Jim Hetland (phone), Sallie Kemper, Randy Johnson, Ted Kolderie, Dan Loritz, Walt McClure, Tim McDonald, Kim Ritten, Clarence Shallbetter

Summary of discussion: Sue Knudson, vice president for informatics at HealthPartners, describes how that company has used its integrated structure as both payer and provider to create a measurement technique that gives an incentive to health care providers to provide better relative quality at lower costs. She discusses the opportunities and challenges of Minnesota's implementing such a structure statewide.

A. Background - Health care expenditures comprise the largest and the fastest growing part of the state budget. This past year that portion of the state general fund classified as Health and Human Services (HHS), the majority of which is related to health care services and care for the elderly, was the only substantial portion of the state budget that increased. With no change in the structure of its programs or services, HHS projects its funding needs to grow at an annual rate of approximately 8 percent, enough to hold all other areas of general fund spending increases- including K-12, higher education, and transportation - to zero.

Against this troubling financing backdrop, Minnesota has emerged as a potential leader in health care policy. Many Minnesota health care organizations- such as Minnesota Community Measurement, HealthPartners, and Mayo Clinic - are nationally leading innovators in their fields.

In 2008 Governor Pawlenty signed into a law a series of health care reforms developed with cooperation of health care providers, other interested groups, and a Democratic Legislature. The reforms sought to improve the quality of health care in the state and lower its cost by, in part, evaluating and making public the health care outcomes and relative costs of providers.

A Civic Caucus interview about the reforms with then-Commissioner of Health Sanne Magnan may be found on the caucus website at: <http://tinyurl.com/7veboxl>.

Implementation of the 2008 reforms is presently under way. Scott Leitz, Assistant Commissioner in the Department of Human Services, will visit with the Civic Caucus on February 24 to provide an update.

Meanwhile information on quality and cost is being gathered in the non-governmental sector. Minnesota Community Measurement (MNCM), a non-profit, has developed methods to assess the quality of services, which methods are both open for public review and continually vetted and improved. Another non-governmental organization has made progress in the assessment of the cost of care among providers. Days after this interview, an assessment system led by Bloomington-based HealthPartners to determine the cost of care became the first such system to be endorsed by the National Quality Forum following a lengthy process of review. Like MNCM's outcomes assessment information, HealthPartners' cost of care and resource use assessment system is open to public view and use at <http://www.healthpartners.com/tcoc> .

Meanwhile Governor Dayton and the Republican-controlled Legislature are deadlocked on the topic of creating a state health exchange, the first stage of implementation of the 2009 federal health reforms.

The Civic Caucus became interested in health care because of the significant cost burden it places on individuals, businesses and the state. The Caucus is highlighting efforts where Minnesota might be a leader in health care system reform. Today's speaker will be the first of a series of speakers on this topic over the coming months.

B. Welcome and introductions - Sue Knudson is vice president of health informatics for HealthPartners, the largest consumer-governed nonprofit health care organization in the nation. She has more than 20 years of health care experience, including informatics and operational leadership roles.

The term "informatics" refers to the application of information and computer science to health care issues. It deals with the acquisition, storage, retrieval, and use of information in health related fields.

For more than 10 years Knudson has lead an informatics team that has developed population-based total cost of care measures and consulting services to help medical groups improve resource use and lower total cost while at the same time improving the quality of care and patient experience.

In 2011, Knudson was appointed to the Minnesota Community Measurement's Measurement and Reporting Committee charged with reviewing and making recommendations on data measurement and reporting policies and with testing ideas and strategies related to health data collection.

Since 2006, Knudson has been responsible for HealthPartners' strategic information and decision support capabilities. In that role she strives to ensure HealthPartners' status as an innovative leader in consumer health information, provider payment, product design, employer reporting, health improvement, medical management and care delivery.

Knudson holds a master of arts degree in health and human services administration from St. Mary's University in Minnesota and a bachelor of business administration degree from the University of North Dakota.

C. Discussion - During the course of the discussion the following points were discussed:

Background on HealthPartners

HealthPartners, headquartered in Bloomington, is an integrated care and financing organization, meaning that it provides both health care services and health plan services.

The company employs 12,000 people and has 1,360,000 members in its health plans. Health plan members include individuals and organizations in Minnesota and surrounding states.

The HealthPartners branded medical clinics, which range broadly in size and scope of services, serve 500,000 patients at 35 locations; the clinics employ 800 physicians covering 35 medical and surgical specialties. The HealthPartners clinics accept patients from HealthPartners medical plans as well as patients covered by other payers. Some HealthPartners health plan members are served by clinics not directly managed by HealthPartners but under contract in the HealthPartners network.

HealthPartners dental clinics employ 60 dentists at 20 locations.

HealthPartners owns and operates four hospitals, including Regions (454-bed, level 1 trauma), Lakeview (97-bed acute care), Hudson (25-bed critical access), and Westfields (25-bed critical access). Hudson and Westfields are located in Wisconsin.

THE PROBLEM: Health care providers have insufficient incentives to improve quality and contain cost.

A participant in the discussion added that, in fact, the incentives are reversed, and reward cost-increasing behavior, resulting in growth of both public and private health care spending that vastly outpaces inflation today and has been doing so for many years. In Minnesota, state health care costs are projected to grow at an annual rate of approximately 8 percent, enough to hold all other areas of general fund spending increases- including K-12, higher education, and transportation - at zero.

Without incentives for productive behavior (better quality for lower cost) like those that exist in most well-functioning industries, health care has developed substantial variance in effectiveness and efficiency of providers without a way for ordinary consumers to distinguish the good performers from the poor performers.

THE GOAL: Improve health care quality while slowing growth in costs.

Because incentives are not designed today to reward efficiency, the health care system is far less cost-effective than it could be and costs much more than it has to. It is a market, but a mal-formed one and therefore not operating as most people would intend.

THE STRATEGY: Reform the health care market - put in place the components that enable people to buy better care at lower cost.

Component one: Know the quality and cost of care.

As an organization HealthPartners supports the publication of cost and outcomes data because it believes all stakeholders will gain from such knowledge. Its strategic goal is to deliver the best health outcomes and experience to members and patients at the most affordable cost. As a health plan, it supports the contracted medical groups in their network with information and data to achieve the same goals.

"We don't view measures of health data as a competitive advantage; we view our ability as a plan and a delivery system to improve outcomes and our results as a competitive advantage. People ask, 'why publish this information; isn't it proprietary?' No, that is not the point. It's what you do with that information that is important."

Since HealthPartners is an integrated care and financing organization (both payer and provider) it has a strong incentive to keep cost of care down.

Historically, a friction in health care has resulted from the fee-for-service model, because this model results in perverse incentives. For those hospitals and clinics that are not also providing the health care insurance plan, their financial incentives are to increase revenue through increasing services. And all innovations in technology, care, and management will be geared to serve these incentives. HealthPartners is realigning these incentives using total cost of care measures to complement quality and experience measures. The organization will align benefit designs for consumers and payment reforms for providers, all supported with transparency of results, to inform decision-making and selection.

"As an integrated care business we see the need to know both outcomes and cost and to have providers who are knowledgeable about this relationship. We complement outcome and experience measures with cost and resource measures."

To assess health outcomes HealthPartners uses all the measures of health services in the community available from Minnesota Community Measurement, a non-profit collaboration among medical groups, clinics, physicians, hospitals, health plans, employers, consumer representatives and quality improvement organizations to develop ways to assess the quality of services. To read more about MNCM click on: <http://bit.ly/xD5fqp>

HealthPartners also uses data for assessing its customers' experience, including satisfaction with the access of care, communication, and quality, as well as issues of safety. MNCM is working on developing measures for patient experience components as well.

In measuring cost HealthPartners is leading nationally with the development of a total cost of care index and a resource use index for full patient populations. It has developed a total cost index (TCI), resource use index (RUI), patient management risk-adjustment metrics, and high cost risk-adjustment metrics among others. The information can be segmented by condition and other common views.

"Our measurement scheme is designed to help understand what the cost drivers are and to isolate them in such a way that they can be targeted."

Component two: reform payment and benefit design.

An efficient health care system depends on knowing which health care provider produces the highest quality care at the lowest cost. Without this information consumers can't know who among all providers is "best."

Yet once the consumer knows that information and acts on it, payment reform must also occur to result in an effective reduction of overall health costs.

HealthPartners provides incentives for consumers to choose providers based on value with a tiered system that places providers into four categories - high quality/low cost; high quality/high cost; low quality/low cost; low quality/high cost - and uses correlated member cost sharing approaches like copayments to encourage consumers to choose the better value where providers are both high quality and low cost.

"You cannot be high quality and high cost and be in our preferential (i.e., low copayment) tier- you must be both high quality *and* low cost."

This information is available in a consumer-friendly format on the HealthPartners website, including detailed information on particular health conditions.

HealthPartners got ahead of the industry on this approach, working on it for eight years before it became accepted by the industry mainstream. Since 2009, as a plan it has had shared savings agreements in place incentivizing contracted medical groups in their plan network to do the same. Over 80% of commercial health care costs in the HealthPartners network are associated with these agreements.

The results have been significant: HealthPartners has found that its costs are four percent better than the national average, eight percent better than the regional average, and 15 percent better than the state average.

"Nationally, the inverse relationship between Medicare and commercial payment may contribute to the greater difference within Minnesota than nationally. We have lower per capita Medicare reimbursement rates versus other states; this is potentially a cost-shift to the commercially insured."

New national endorsement of cost-measurement standards achieved.

There have been no standardized measures to determine the cost of care or resource use, nor a way to determine their underlying drivers. So HealthPartners has been developing one, which it has submitted to national vetting. The National Quality Forum reviews and endorses national measures. In January 2011 the Forum issued for the first time a call for measures of health care cost and resource use. A year later, the measures that HealthPartners developed were recommended for endorsement, and on January 31, 2012 (four days after this interview) the Forum endorsed HealthPartners Total Cost of Care and Total Resource Use measures.

The vetting process was public and thorough, Knudson said. Her team has been working with the National Quality Forum for months on a very comprehensive review. The HealthPartners team spent the first three months documenting the process and creating a website detailing cost measurement methods. Those methods were then vetted in depth by a Forum steering committee, made up half by health care providers around the country and half by other stakeholders. Following public and member comment and member vote, the measurement methods moved on to the Forum's Consensus Standards Approval Committee. Knudson said that to qualify for consensus within the Forum, HealthPartners had to prove the significance of its methodology through a scientific literature review and show the methodology to be both scientifically rigorous and ultimately applicable in real world situations.

"We thought it would be a long shot that a regional integrated care and financing organization would be able to achieve national acceptance of its methodology," but a few days after this interview the endorsement was confirmed.

At present HealthPartners is the only organization to have received this endorsement at the population level, Knudson said. The Forum may put out another call for health measurement approaches in future. If the consortium approves other methods over the years it would look to eventually blend or select best in class.

Minnesota health care resources are plentiful.

Minnesota is in a unique position in the country for health reform because of its community assets.

Minnesota Community Measurement (MNCM), a non-profit collaboration developing ways to assess the quality of services, is one important asset. MNCM is convening a community wide group, including the Minnesota Hospital Association, Minnesota Medical Association, provider groups, health plans and purchasers. The group is evaluating methods to measure total cost of care, including consideration of the HealthPartners measurement methodology.

Comparison made with state's efforts.

While HealthPartners and associated groups are leading market-reform in the private market as detailed above, the state of Minnesota is seeking to lead on a regional level.

Knudson said that her HealthPartners team has actively supported the state's work on outcome and cost assessment, including serving on working groups reviewing the measurement methods.

However, she believes that in the state's effort there is duplication of capability with what MNCM already has in place. MNCM currently has quality measures; it is adding experience measures and it also has the infrastructure and process for statewide collaboration to add the total cost of care and resource use measures.

"When the state started the work to build the measurement approach to support the reforms, we offered a collaborative approach, as an alternative to creating an all-claims database and hiring data measurement vendors. The state went with the vendors and now four years later we don't yet have satisfactory results from those vendors." Since the data is being treated as proprietary, she added, it makes review of their methods for accuracy virtually impossible, affecting confidence in the measurement results.

The week of this interview there was a hearing at the Legislature to discuss the flawed results. The timeline for their publication has been delayed by a year. Health care providers are concerned that the proprietary methods used in the state's study are too challenging to verify, as called for by the legislation. Some legislators are calling for repeal of the enabling legislation out of frustration with the results.

"There are many measures we have in the public domain now. There is an opportunity for standardization of quality and experience measures around MNCM and building on that existing community asset with the expansion to cost measures using the standards set by the National Quality Forum," Knudson said. "We can maximize the resources already in place and not re-invent what has already been developed."

HealthPartners aligns incentives to consumers to choose better value. HealthPartners uses co-pays and other benefit designs to direct customer payments so that better hospitals receive more patients while those hospitals with higher relative costs, lower quality, or both lose customers - to the point where they are forced to improve quality and cost in order to compete. The principal payment incentive built into the state's 2008 reforms is centered on the use of bonus payments to the best providers. Knudson believes there may also be a provision calling for the bottom providers to be removed from the network.

In addition to having quality and cost information, for the strategy to work at the state level reform of the insurance market is necessary so that health plans adopt the incentive mechanism. This area has become politically controversial because it implies coordination with the federal reforms through state implementation of the federal mandate on exchanges. However, it is not necessarily the case that states must follow the federal government; instead a reformed insurance market may be part of a state-led strategy of market reform.

D. Conclusion - "HealthPartners has worked on the system within our integrated network," Knudson said in closing, "but we need help from the policymakers now for this to implement more broadly and benefit the whole state.

"We are seeing a big paradigm shift going on among providers. This community has leadership that recognizes more than the rest of the country that our present health care system is unsustainable and reform must be done. We have an opportunity to lead the country."

