

Mike Hatch

for
GOVERNOR

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Position Paper Minnesota Care

From 1983 to 1989 Mike Hatch served as Minnesota Commissioner of Commerce, becoming very familiar with the health care crisis. When he ran for governor in 1990, he was the first statewide candidate in the country to run television ads calling for universal health care coverage.

Over the last three years he has been deeply involved in health care issues. He has represented numerous women with breast cancer who have been denied coverage for bone marrow transplants. He has represented physicians and clinics in contract negotiations with hospitals and HMOs. He has advised employers on the establishment of health plans. And he has represented people deprived of treatment by unresponsive insurers.

Mike Hatch is concerned about the direction of Minnesota Care and believes that dramatic change must be made by the next governor:

First, the "Minnesota Care" policy does not truly give access to health care for the working poor. While the indigent receive health care through medical assistance, the working poor are only eligible to purchase the "Minnesota Care" policy. This policy is restrictive. For instance, it is limited to \$10,000 annually for inpatient costs. That is approximately one-fifth of the cost of open heart surgery. For the working poor, a debt of \$5,000 is tantamount to being insolvent. The current policy is not the answer.

Second, the "Minnesota Care" policy is based upon the presumption that "Bigger is Better." The state's plan has led to rapid and economically illogical mergers with hospitals purchasing clinics and HMOs merging with hospitals. Indeed, there are some projections that only four or five hospital-based Integrated Service Networks ("ISNs") will exist in a year. Millions in health care dollars have been spent on these mergers: dollars which have not delivered one penny in health care treatment.

The thrust of ISNs seems to be that bigger institutions are somehow more efficient. We have not had this experience in other sectors of the economy; it will not work in a profession where the state of the art constantly changes and is difficult to monitor.

Third, the "Minnesota Care" legislation attempts to control costs by regulating a freeze on the premiums charged by an ISN. It makes little accommodation with regard to changes in treatment, changes in population, technological changes, and the like. It simply presumes that a "price freeze" will somehow contain costs. With such price freezes, it is likely that ISNs will simply reallocate health care resources. This means that either the doctors of administrators will receive less money, or that the treatment for patients will be more restrictive. Hatch does

not believe that there are sufficient safeguards, with the result being less innovative treatment in this state. This will lead to inferior quality in a state which currently has a renowned world reputation in health care. It will also inhibit Minnesota's ability to create the type of health care products which have nourished the Minnesota economy.

Minnesota has a national reputation for excellence in health care. It is the state's leading export and the largest segment of the economy. People come from around the country to seek treatment in this state for everything from bone marrow transplants to alcoholism. This has resulted in tremendous economic activity with the creation of a multitude of companies known as "Medical Alley." The proposal being enacted may effectively limit this economic activity.

Finally, the "Minnesota Care" legislation and the Carlson Administration's regulation blindly ignore the rationing of health care. Health care is rationed in this country. Approximately 37,000,000 Americans are unable to obtain health insurance coverage. The proposed manner in which rationing will occur is wrong. Corporations and ISNs may deny coverage for certain types of health care as being experimental or investigative simply because they are expensive, and therefore affect the "bottom line" of the ISN, even though the treatment is effective and saves lives.

The Carlson Administration is supposed to design a health care policy which will be utilized by ISNs. The health care policies will be similar to the State Health Plan that the Administration designed for state employees. Yet, under the State Health Plan, treatments such as bone marrow transplants for women with breast cancer will not be covered. This is ironic, given the fact that a California HMO was recently penalized for \$90,000,000 when it attempted the same type of restrictive medicine.

In short, the "Minnesota Care" system has many deficiencies:

1. It will result in bloated, inefficient corporate delivery systems.
2. The state will not be able to control the premium increases. (If it were able to control it, we would not see the current articles where senior citizens protested the "rubber stamp" premium increase by HMOs. Why should the Department of Health be any better at regulating an ISN than an HMO?)
3. The system will allow corporations to engage in rationing and determine the treatment based upon financial needs of the corporation as opposed to the medical needs of the patient. We have already had this experience with the State Health Plan.
4. There is no effective forum in which disputes over the rationing of health care can be resolved.

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There are better ways to make access available to the poor for health care. Mike Hatch proposed in 1990 that the state make the Minnesota Comprehensive Health Association an assigned risk plan for Minnesota citizens, available to people on an "ability to pay" basis. The state could take all of the medical assistance dollars and use them to subsidize the deficiency in the Minnesota Comprehensive Health Association. With regard to any remaining efficiency, the plan could assess insurers, HMOs and/or employers. In order to encourage employers to buy health coverage, the state could permit employers to "carve out" high risk or disabled employees if they purchase coverage for them directly from the Minnesota Comprehensive Health Association. This would dramatically assist the hiring of high risk, disabled employees. This would eliminate the current penalty placed on employees by higher health care premiums.

The state should also look at refining the unfunded Minnesota Catastrophic Health Care Act. The Act worked when it was utilized in the early 1980s. It should not have been so quickly abandoned.

With regard to rationing, the state should acknowledge that it does occur and have the courage to address the issue. The state should establish an arbitration board composed of a medical provider, an HMO representative and a citizen to ensure that these decisions are fair. These panelists would serve without pay, for one month at a time and render decisions on issues such as "reasonable and necessary treatment," "pre-utilization approval," and "usual and customary costs," with their decisions having to be rendered within 24 hours after an appeal by a policyholder.

Mike Hatch believes that the mistakes surrounding "Minnesota Care" was due to the fact that the public did not have sufficient input into the process. Rather, a cabal of HMO executives and hospital executives got together and effectively crafted a proposal which was naively embraced by policymakers.