MN Health Plan: Savings and Costs

Cost studies of single-payer health care proposals have consistently concluded that a single-payer plan will cover ***all*** people and ***cost less*** than other proposals and less than the current system. This result was reached even by the Lewin Group, a research firm unsympathetic to single-payer (now owned by United Health Group), in its review of health care reform proposals for Colorado and other states. Recently, Vermont hired Harvard health economist William Hsiao to analyze the impact of a single payer system for Vermont. Dr. Hsiao concluded that a single payer system would save a whopping 25% of total health care expenditures compared to the current system.

While these results are extremely positive, other than the Hsiao study, most of the others generally analyzed only two financial impacts of the plans: (a) the administrative savings from elimination of insurance costs of a multi-payer system, and (b) the additional cost of covering more people. Although the MN Health Plan is *similar* to those proposals in that it uses single-payer financing, it offers a *complete* health care system that addresses all aspects of health care delivery, including the shortage of medical providers, the need for more public health and prevention, etc. As a result, the MN Health Plan would provide significant additional savings from aspects of the plan that were outside the scope of other single payer proposals and previous cost studies. Among the impacts of the MN Health Plan:

1. **Reduced insurance, billing, underwriting, marketing, and other administrative functions.** We currently spend 31 cents of every health care dollar on administrative costs such as health plan marketing and underwriting, and billing and collection costs for both the insurer and the care provider. By having only one entity (MHP) pay all of the bills, all at uniform, negotiated rates, bureaucratic costs will plummet, as has been evidenced by existing studies. Also, under MHP, there would be no underwriting or risk adjustment expenses.

2. **Reduced ER and hospital visits through more timely and appropriate use of medical care.** The MHP would avoid costly emergency room care for routine medical needs by giving every Minnesotan access to regular medical (including dental) office visits and care and through a 24-hour/day public health nurse phone line and 24-hour urgent care clinics throughout the state. By reimbursing providers for *all* patients at a fair rate, the MHP will also eliminate the problem of providers turning away Medical Assistance patients, which forces many to travel long distances for care.

3. **Price negotiations for medical services, products, and providers**. This includes pharmaceuticals, medical supplies, medical devices and equipment, and all provider rates and prices. Although some rates would go up, (e.g. to address shortages such as primary care providers in some communities), many prices would drop sharply due to MHP's bargaining clout.

4. **Reduction in excess capacity of medical facilities and equipment** such as costly MRI and radiation therapy machines based on need instead of a continued "medical tech arms race."

5. **Better public health and safety outcomes.** For many people without health insurance, and even many who are covered, the current system does not work to prevent illness or intervene until a problem becomes more serious. The MN Health Plan would provide early intervention and treatment. For people suffering with mental illness or chemical dependency, this can avoid the need for costly hospitalization, and in some cases, incarceration.

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Also, the MHP's focus on public health services in schools and other locations will provide easy access for everything from mental health to flu vaccinations, STD and pregnancy prevention.

There are also major *non*-healthcare cost savings for state and local governments such as reduced out-of-home placement and crime costs due to mental health and chemical dependency coverage. Another example comes from prevention of unintended pregnancies for low income women which reduces both Medical Assistance and welfare costs.

6. **Elimination of cumbersome accounting procedures.** In addition to the insurance-related administrative savings described under the first item, there are additional savings for medical providers from not having to find out whether patients can pay, not needing to have clerks counsel patients on how to try to find coverage for a procedure, not needing to process each co-payment, not needing to spend time and money on bill collection, and not needing to shift costs from uncompensated care.

   Also, rather than track each medication or service for a hospital patient's bill, hospitals and nursing homes would work from a negotiated annual budget, so they can focus on delivering care instead of accounting.

7. **Increased coordination of care.** Coordination of care, sometimes called "medical homes," has additional expenses, but also significant savings -- from health improvement and fewer repeat tests by doctors unaware that tests had already been performed.

8. **Changes in short- and long-term utilization of health care services due to access to comprehensive care,** including dental care, mental health care, prescription drugs, etc. There would be an initial- and ongoing-increase in utilization of medical care when it is available to people who are currently un- or under-insured. However, there would also be both an immediate- and an ongoing-*reduction* in inappropriate care such as hospitalization for mental illness, use of emergency rooms for routine care and for preventable conditions. Likewise, there would be an ongoing decrease in medical treatment for conditions prevented due to primary, secondary, and tertiary preventive care.

9. **Reduced legal costs from fraud, malpractice, workers comp, and auto insurance.** Fraud from providers billing multiple payers for the same service or the same hours of work would be eliminated, and other types of fraud would be easier to detect. Because MHP would cover all medical treatments resulting from workers comp and auto accidents, there would be no reason to litigate to receive care. Malpractice premiums would go down through the plan's self insurance and, again, because all medical treatment is covered under the plan.

10. **Reduced healthcare expenses from increased patient/doctor decision-making.** Leaving care decisions to patients and doctors does not lead to more expensive care as is commonly assumed, but frequently leads to decisions not to undergo treatment or to use less expensive alternatives. Doctor/patient conversations about end-of-life treatment and advance directives avoid costly treatments unwanted by the patient. Also, doctors will not waste time and money changing multiple prescriptions because the drugs the patients were using are not on their new health plan's formulary.

11. **Elimination of harmful financial relationships within the health care industry.** This includes ending direct-to-consumer marketing of pharmaceuticals and conflicts of interest where doctors have financial incentives to order treatment at facilities they have a financial stake in.

12. **Retraining of insurance and health care administration workers.** While there would be massive savings from the many changes listed above, there would be start up costs for the MHP, including retraining and unemployment costs for administrative workers whose positions are no longer necessary under MHP.