

# BEYOND THE AFFORDABLE CARE ACT:

## *An Economic Analysis of a Unified System of Health Care for Minnesota*

Minnesota has long been cited as a leader in health care, boasting relatively low rates of uninsured, innovative programs for low-income people and those with high-risk conditions, a history of cooperation and collaboration to improve outcomes and share best practices, internationally recognized medical research and education, leadership in the med-tech industry and a healthier than average population. Despite being a standout in high value care, these reforms, including innovations in health care delivery, have failed to diminish racial disparities in health or guarantee affordable access to quality care for all Minnesotans. Our health care costs are rising at an unsustainable rate. Minnesotans are losing ground.

According to the latest data, more than 10% of Minnesotans are uninsured and an increasing number of employers are dropping employee coverage. Premium increases are far outstripping pay increases and patients are expected to pay a growing share of health care expenses out-of-pocket. Should the federal Affordable Care Act (ACA) survive the court challenge and be fully implemented, it will expand access to insurance, but access will not be universal and a high cost-sharing burden will continue to be placed on patients in order to reduce health spending.

Minnesota should consider reforms that go beyond the critical first steps of the Affordable Care Act and aim to:

- attain universal coverage;
- assure affordability of health care;
- reduce health care inflation; and
- create a more equitable system, reducing racial and economic disparities.

One option for meeting those goals is the so-called single-payer system, a concept supported by Gov. Mark Dayton in his 2010 campaign. Growth & Justice set out to investigate whether, by moving toward a unified system and thereby reducing fragmentation, administrative complexity, and fraud, and by countering the pricing power of our consolidated insurance and provider markets, Minnesota can establish stable, affordable access to health care for every Minnesotan without increasing total health care spending.

The Lewin Group was contracted to conduct an economic impact study of a unified and universal health care system for Minnesota. Lewin modeled a comprehensive plan covering medical, mental health and dental benefits, eliminating deductibles and coinsurance, while using only minimal copays on specialists, hospitalizations, procedures, and diagnostic tests, with coverage for all Minnesota residents. The modeling used a baseline year of 2014 in order to compare to the economic impact of the ACA.

A unified system, as modeled in the report, entails

- a single system of coverage and pooled risk: everyone is in it.
- a uniform, comprehensive benefit set for everyone.
- a single network of all licensed health care providers, and an end to choice-limiting networks.
- a uniform and streamlined enrollment process.
- uniform pricing, payment rules, and payment methods, with monopsony (one-buyer) purchasing power.
- naturally appreciating financing based on wages or income.

## KEY FINDINGS

- Calculations were modeled on a single system of universal coverage and pooled risk; a uniform and comprehensive set of health benefits; a uniform and streamlined enrollment process; and uniform pricing and payment methods with monopsony (one-buyer) purchasing power and access to all licensed providers in the state. The benefit package was designed to be comparable to that of elected officials and state employees.
- The system modeled would retain the federal tax preference of employer-sponsored health care while delinking coverage from employment and freeing businesses and employers from negotiating and managing health benefits.
- The proposed model could be financed with payroll taxes or income taxes, with or without the addition of taxes on tobacco or alcohol, instead of our current premium-based system. Income-based contributions eliminate the problem of underinsurance. Deductibles and coinsurance would be eliminated and primary care is encouraged as copays on preventive and primary care are eliminated.
- The model proposes that all federal health care dollars for Minnesota go to the statewide pool, eliminating the disparate payment rates of public plans and the gaps in coverage that frequently result from income fluctuations.
- The single “insurer” could be the State of Minnesota or a designated nonprofit entity.
- The total annual amount that Minnesotans pay for health care costs would be reduced by 9 percent (projected for 2014, compared to the total costs under the Affordable Care Act).
- Employers who currently offer insurance would save an average of \$1,214 per employee annually. The average Minnesota family would save \$1,238 per year.
- Those paying more would include employers who currently do not offer health care, and people currently without coverage. Households with income over \$250,000 would pay more under the progressive financing structure in the projected model.
- Using a naturally appreciating financing method, such as income or payroll taxes, makes financing predictable and eliminates a major stress on budgeting for employers.
- With the ability to set a global budget in a unified system, long-term savings can be significant. Total projected long-term savings for health care spending in Minnesota could be as much as 12 percent to 33 percent by 2023.
- Instead of cost shifting or suppressing utilization through cost sharing, a unified system relies on administrative efficiency, pooled risk, monopsony purchasing power, uniform transparent pricing and fraud detection to reduce spending.
- All Minnesotans and their families would be permanently guaranteed high quality health care coverage.
- Employers and employees would benefit significantly from portability of insurance. Health care consideration would be removed from business hiring decisions and career choices for all employees.
- Minnesota should continue to engage in pilot programs such as medical homes, comparative effectiveness research and accountable care organizations. Any payment or delivery system reforms that reduce cost, while improving quality and boosting patient satisfaction could be incorporated in a unified system.
- Minnesota must continue to lead efforts to improve transparency, reduce error and promote patient-centered care. A unified system makes these gains available to every Minnesotan.

Download the full report at [www.growthandjustice.org/beyondaca](http://www.growthandjustice.org/beyondaca)