



January 14, 2008

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100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Commissioner Cal Ludeman
Department of Human Services
540 Cedar Street
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St. Paul, MN 55155

Dear Health Care Transformation Task Force Members:

On behalf of the Minnesota Medical Association (MMA), I would like to thank you for your work to transform Minnesota's health care system. The MMA supports comprehensive health care reform that improves public health, expands access and insurance coverage, improves the quality of care, and modifies the payment and delivery of care to support value for patients. There are many significant and thoughtful recommendations included in your draft report that we look forward to supporting in the months ahead.

There are, however, some recommendations included in the draft report that we believe merit far more deliberation, analysis, and development. In particular, the MMA believes that the payment reform provisions of the report demand a greater level of scrutiny and clarification. While many of the recommendations in this section are reasonable and important elements of transformation, we believe that the recommendation to "establish provider accountability for the total cost and quality of care" requires far more explanation and consideration.

While the MMA is in the process of more fully analyzing the detailed recommendations in this area, we would like to identify several initial points of concern:

- As stated, the recommendation implies the acceptance of risk-bearing by providers and only by providers. The reasons for the health care system's rising costs and variable levels of quality are multi-factorial. It is unreasonable to assume that total responsibility for costs and quality can, or should, fall to providers alone.
- Capitation has been pursued unsuccessfully in Minnesota, and many other markets, over the past 25 years. No state has successfully implemented a fully capitated healthcare system, which the 3-level proposal suggests. While there may be some role for capitation in a transformed health system, adoption of a fully capitated model does not appear warranted without a critical review of the model's implications and past models' shortcomings.

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- The 3-level model for a reformed payment system sends a clear and powerful signal to the delivery market to consolidate. In order to successfully bid as a Level 3 provider, large care systems must be created to create the risk-bearing and administrative systems necessary. The MMA believes that Minnesota's small, independent provider market is already fragile; should the state wish to create a delivery market of only large systems, the MMA would hope that the implications of such a move are fully discussed, appreciated, and approved by the legislature.
- The MMA is also concerned that there are some internal inconsistencies associated with the 3-level model that need to be explored. For example, requiring a care system to be accountable for a population's total cost of care, while at the same time allowing an open access model (i.e., patients have choice of providers), appears to be incompatible.
- Finally, the MMA is disappointed to find little, if any, acknowledgement in the report of the consequences of administrative pricing associated with the current payment system. Ignoring the failure of public programs (both state and federal) to adequately cover the costs of services is short-sighted; the consequences associated with cost shifting will only continue to distort an otherwise "reformed" payment system.

The MMA has a variety of other questions about the proposal and we look forward to more fully appreciating the vision and goals associated with the recommendations. At a minimum, however, we wanted to identify some initial concerns that we believe have significant implications for the entirety of Minnesota's health care system.

Again, thank you for your work, commitment to reform, and bold ideas. On behalf of the MMA, I look forward to the opportunity to fully discuss and debate proposals to improve our current health care system and the health of all Minnesotans.

Sincerely,



Michael B. Ainslie, M.D.
Chair, MMA Board of Trustees