

GOVERNOR PAWLENTY OUTLINES HEALTH CARE REFORM INITIATIVES -- October 13, 2009

– Includes allowing Minnesotans to purchase health insurance from other states –

Saint Paul – Minnesotans would be first in the nation to be able to purchase health insurance across state lines under an initiative proposed by Governor Tim Pawlenty today.

Governor Pawlenty outlined a package of health care reform initiatives to be considered during the 2010 legislative session. In addition to enhancing competition in the health care insurance marketplace, the Governor proposed applying successful cost-containment strategies to the state's publicly-subsidized health care programs.

"Minnesota has one of the best health care systems in the world. We have world-class providers and the second highest rate of people with insurance," Governor Pawlenty said. "In recent years, we've made significant progress toward making our health care system even more market-driven, patient-centered and quality-focused. While Congress debates federal health care reform, there are important additional steps that we can take in Minnesota to provide greater choice and competition while holding down explosive health care costs."

Governor Pawlenty proposed three health care reform initiatives:

- **Allow Minnesotans to Purchase Health Insurance from Other States**
- **Require MinnesotaCare & Medical Assistance to Price Health Care Services Based on Quality and Cost**
- **Include Consumer-Driven Incentives in MinnesotaCare**

Minnesota continues to lead the nation in the performance of our health care system, as recognized most recently by the Commonwealth Fund's state scorecard. In their 2009 scrutiny of access, quality, costs, healthy lives, and equity, Minnesota moved ahead of states such as Massachusetts, Maine, and Connecticut from 9th place to 4th place overall. We should continue to take action to keep Minnesota on the leading edge of health care policy innovation.

Allow Minnesotans to Purchase Health Insurance from Other States

Minnesotans are currently prohibited from buying health insurance products from other states. Minnesotan citizens and businesses would benefit from more choice in the marketplace and additional competition. Three health care plans in Minnesota dominate the marketplace, with a combined market share of more than 80 percent of fully insured Minnesotans.

Governor Pawlenty is proposing that Minnesota law be changed to allow consumers to purchase health insurance plans sold in other states. The following requirements would have to be met in order for the product to be sold in Minnesota:

- The state insurance regulator where the company is domiciled must be accredited by the National Association of Insurance Commissioners.
- The insurance company must have a certificate of authority in Minnesota.
- The insurance regulator in the state of domicile must review and approve policy forms.
- The insurance company must agree to abide by Minnesota's claims practices and other consumer protection laws.
- The insurance company would be subject to standard Minnesota fees and taxes.

The Minnesota Commissioner of Commerce will determine the top 20 states that are most effective in terms of regulating health insurance policies and have the best health outcomes for their residents. Only policies approved in those states and meeting Minnesota's new criteria could be sold to Minnesotans.

Ultimately, Governor Pawlenty proposes that Minnesota help establish an Interstate Health Insurance Compact that would allow states to join and share common regulatory standards to facilitate the purchase of health insurance across state lines. The Interstate Health Insurance Compact would be modeled after the successful Interstate Insurance Product Regulation Compact (IIPRC) that has made the purchase of life insurance easier. Minnesota played a leading role in establishing the IIPRC, which began in 2004 and became operational in 2006. Thirty-three states are members of the IIPRC.

Require MinnesotaCare & Medical Assistance to Price Health Care Services Based on Quality and Cost

The state employee health care program, Minnesota Advantage, has successfully used a tiered provider system to rein in costs. State employees in Minnesota can choose any clinic available to them in a private market system. However, individuals who use more costly and less efficient clinics are required to pay more out-of-pocket. Not surprisingly, informed health care consumers wisely vote with their feet and wallets. This has resulted in no increase in health care amounts paid by employees during three of the last five years and significantly reduced program costs for the state.

Governor Pawlenty is proposing that state-subsidized health care programs, MinnesotaCare and Medical Assistance, also be required to use a tiered provider system. Tiers would be established based on peer grouping results on quality and efficiency from the 2008 health care reform legislation. Based on that peer grouping, enrollees would be required to choose a primary care clinic and would be rewarded for choosing a higher-quality, lower-cost clinic.

Those financial incentives could be incorporated into EBT card technology and would provide additional benefits to enrollees beyond the standard benefit design, such as over-the-counter medications or reading glasses.

Develop a Modern MinnesotaCare Product

MinnesotaCare is a state-subsidized health insurance program for Minnesotans at or below 275% of the federal poverty guideline.

The Governor is proposing the state develop a modern MinnesotaCare product for parents between 133% and 275% (250% for single adults) of the federal poverty guideline that includes deductibles and co-payments that are commonly found in the private sector.

Modern MinnesotaCare would provide a higher-deductible insurance product coupled with a state contribution to an EBT card that would be used for out-of-pocket health expenses. Enrollees would be incentivized to choose higher-quality, lower-cost providers in order to maximize the value of the state contribution. Money left over on the card would remain with the enrollee to be used in the following year.