



Minnesota Hospital Association

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**House Health Care and
Human Services Finance Division
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On Behalf of the Minnesota Hospital Association**

Mr. Chair and members of the Committee, my name is Lawrence Massa, and I am the President and CEO of the Minnesota Hospital Association (MHA), representing our state's 147 hospitals and 17 health systems.

Minnesota's health care system is a rarity in the national landscape: better care for less cost. To be sure, improved quality and affordability are huge issues here as well, but publicly available data show our providers consistently deliver higher quality care and achieve better outcomes for our patients than their peers around the country. Our per-Medicare-beneficiary costs are lower than the national average — not just in certain communities, but in every hospital referral region in the state, according to ongoing research from the Dartmouth Atlas. And, unlike health care systems in almost every other state, we have both deeper and broader integration of our health care delivery system, as well as a culture of multi-stakeholder collaboration.

No health care market in the country may be better suited to take on the challenge, navigate the implementation and deliver the hopeful results associated with Accountable Care Organizations (ACOs).

The new federal health care reform law gives authority to the Department of Health & Human Services to begin paying for Medicare and Medicaid services through Accountable Care Organizations beginning in 2012. The Minnesota Hospital Association believes that our state should take the steps necessary to not only prepare for, but to lead and help design this new payment and delivery model. Accordingly, we support the amendment language presented.

At the same time, we recognize that Accountable Care Organizations and the statutory and regulatory framework necessary for their success are far from simple or easy. So, we respectfully offer a few suggestions for the committee's consideration:

First, because of the complexity of today's health care laws and regulations and the number of changes that might be necessary to bring ACOs online, we would like to see stakeholder representation in the future development of ACOs, perhaps in a legislatively directed interim work group, for example.

Next, we believe that a key element of the success of this effort depends upon its voluntary adoption rather than a mandatory implementation. On a relatively short timetable and with numerous unanswered questions, it is reasonable to begin with willing early adopters on a voluntary basis.

Finally, we believe that a key to the success of an Accountable Care Organization structure will be its flexibility. We want to leave the doors open to create different ACO models so they can succeed in both rural and urban communities, for fully integrated systems as well as new independent provider collaborations or providers willing to explore “virtual integration” alternatives. In other words, it is important that we abandon a “one size fits all” perspective at the outset and leave ourselves the necessary room to create a framework that will bend and adapt to our communities’ differing needs, resources and attributes.

We suggest that the Legislature allow for greater latitude in the definition of what services are available through an Accountable Care Organization and how such services are priced. We fully expect this model to include comprehensive services. However, it is possible that ACOs will be more successful and achieve greater efficiencies if some outlier services or conditions are paid for through different structures. It is also possible that ACOs will be more successful if purchasers like the state or large ERISA plans have a greater array of pricing or payment mechanisms than those that were intended with baskets of care.

In the end, Minnesota’s hospitals and health systems are eager to lead the exploration of Accountable Care Organizations and believe that this legislation lays important groundwork toward bringing those models, and the efficiencies and quality improvements they offer, to the communities and patients we serve.