Smallest year-to-year increase in more than a decade

Total health care spending in Minnesota increased 2.2 percent to $37.7 billion between 2009 and 2010, which is the slowest growth rate observed since 1997, according to a report released today by the Health Economics Program at the Minnesota Department of Health (MDH).

Health care spending also decreased as a share of the state's economy (from 14.2 percent in 2009 to 13.9 percent in 2010). Growth in health care spending has been declining each year since 2007.

"This modest growth is encouraging, but we are anxious to see what happens in the future. Because of the recession, people may have delayed seeking routine and acute care so we are concerned that these rates may increase in coming years as people address their deferred health care needs," said Health Commissioner Dr. Ed Ehlinger. "To get costs under control long-term, we still need to invest in prevention, make our communities healthier, continue to engage consumers on their role in health and health care, and be value-based purchasers of health care."

Without a continued focus on reforming Minnesota's health care system, Ehlinger said, health care spending could more than double in 10 years to $76.7 billion, consuming about 18 percent of the state's economy.

Lingering effects of the recession and changes in patterns of utilization are likely responsible for the continued slow growth in spending as residents opted to use less health care and Minnesota's uninsured rate remained above 9 percent. The report looks at health care spending from all sources, including private health insurance, out-of-pocket spending, state public programs, and Medicare.

The severe economic downturn and slow recovery affected 2010 health care spending in Minnesota in important ways. Private spending accounted for a smaller share of total spending as more Minnesotans took up public coverage, fewer individuals retained private coverage and

many used less health care. On a national level, many observers expect these effects to be largely temporary.

"There is the potential that current experimentation with delivery system changes in Minnesota will lead to more permanent changes in patterns of utilization, pricing and spending," said Stefan Gildemeister, MDH's state health economist. "But so far the evidence seems to indicate that other factors account for the bulk of slower growth in spending in Minnesota, including the shift towards insurance products with greater cost sharing, a lack of new expensive blockbuster pharmaceuticals on the market, and, of course, the lingering effect of the past recession."

Current projections show that despite the slower growth rate in 2010, health care spending is expected to continue growing at an average annual rate of 7.4 percent in Minnesota from 2010 to 2020 as the economic recovery gains momentum and Minnesotans return to previous levels of coverage and health care utilization.

Per person health care spending continues to be lower in Minnesota than the country as a whole. In 2010, per person spending in Minnesota was $7,090, compared to $7,910 nationally. Health care spending in Minnesota also accounts for a smaller share of the overall economy than nationally (13.9 percent compared to 16.8 percent, respectively).

The report is called for by Minnesota's health reform law enacted in 2008, which aims to significantly slow the growth of health care spending. With bipartisan support, Minnesota passed the law that has resulted in several key efforts including:

- Provider peer grouping and statewide quality reporting, which is intended to provide consumers the information they need to choose high-quality, low-cost providers.

- Health care homes, a new primary care model and certification process for clinics showing promise as a way to improve the quality of care, reduce costs, and be more responsive to people's needs.

- The Statewide Health Improvement Program, an investment in prevention efforts designed to lower costs by reducing obesity and tobacco use in Minnesota.

This report is available online at http://www.health.state.mn.us/healtheconomics.

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