

# Exchange

From the Medical Industry Leadership Institute

Fall 2016 • Issue 17

## Seeing the Costs of Health Care

David Randall is the Executive Director of ARPI and a Resident Scholar at the American Research and Policy Institute, as well as the lead author of the new article, “Medicaid Expansion and the Use of Account-based Health Plans,” with Stephen T. Parente (Carlson School of Management) and Ramzi Abujamra (now at ARPI, but a dissertation advisee of Randall’s at the University of Minnesota). That the three have put their heads together is no surprise, given the intersections of their careers here in the Twin Cities, as well as Randall’s prior research on Medicaid policy and consumer-driven health care.

*...states will cut costs by enrolling even “a small portion of people in a Health Savings Account for Medicaid.”*

Nor is it surprising that Randall would turn to an open-access journal to get his actionable findings out beyond the Ivory Tower. As a past insurance regulator, legislative staff member, lobbyist, and consultant to insurance companies and provider trade groups, Randall has a catholic knowledge of the health care landscape that far outpaces his peers. He tells us, “I use all of these experiences in my current research and take a pragmatic approach to academic research that informs and educates not only my academic colleagues, but also practitioners and peers.” Publishing in *Health Care: Current Reviews* presented Randall and his co-authors a space to offer advice to states hoping to save money as they expand health insurance through the Affordable Care Act.

In short, the authors find that states will cut costs by enrolling even “a small portion

### About

*Exchange*, a publication from the Medical Industry Leadership Institute, features dialogue on medical industry research and application. The content is a summary of research from both academia and the medical industry, followed by commentary on the importance of the research and its application. Topics highlighted in the *Exchange* span all sectors of the medical industry and include commentary from leaders in the field, as well as researchers from the University of Minnesota and other academic institutions.

of people in a Health Savings Account for Medicaid.” Not only would such accounts allow individuals to own their savings and apply it to health care premiums should their incomes increase, but Randall believes they will also help “enrollees understand the true cost of health care” and “allow them to better transition to private insurance coverage.”

When we’re talking about the largest state expenditure every year, Randall says, “cost containment takes on added significance.” And states have heeded his advice: “As a result of the article and my past research, several states have contacted ARPI to gather additional information about how they can modify their programs to better serve Medicaid beneficiaries,” he says. Now Randall hopes researchers at ARPI and other institutions will consider how beneficiaries actually use such accounts in practice and whether the predicted savings materialize. “States are being constantly challenged by Medicaid spending,” Randall reminds us. With every policy change, teams like his will set out to find innovative approaches to save costs, increase health care excellence, and deliver on the promises of expanded coverage in the United States. ■




**Medical Industry Leadership Institute**  
**Carlson School of Management**  
University of Minnesota

321 Nineteenth Avenue South, Suite 2-212  
Minneapolis, Minnesota 55455-9940

Nonprofit Org.  
U.S. Postage  
PAID  
Twin Cities, MN  
Permit No. 90155

## *Exchange*—A dialogue on medical industry research and application

The University of Minnesota is an equal opportunity educator and employer.  
©2016 Regents of the University of Minnesota. All rights reserved.

 Printed on recycled paper 30% post-consumer fiber

### Commentary

*By William Knutson, MBA, CEO CareChoice Cooperative*

I am pleased to read David Randall's recent work; having been a hospital CEO and now in my consulting work, my experience bears out his team's results. I recently participated in the development of a rural Medicaid "ACO" in Minnesota. Minnesota chose to create a demonstration for its Medicaid population called the "Integrated Healthcare Partnership" whereby opportunities to serve the Medicaid population under a gain-sharing arrangement were offered to providers and newly formed accountable entities. MCOs were also involved. The structure was essentially the Medicare Shared Savings Program (MSSP) with some Minnesota-specific modifications. It fell to me to set up the gain-sharing pools, data analytics, and support the newly formed Community Care Teams that included county social workers.

Although we did not have the HOA or HSA in our project, I can attest to the transient nature of the target population. We had an ACG-based dataset and claims summaries that depicted every encounter by location and purpose. When we examined this data, it was clear that

some of the decisions enrollees made were spontaneous and expedient—but not always mindful of cost.

The HSA concept, as described by the researchers, would offer a moment for an enrollee to plan the best use of his or her fund while not deterring or blocking care. I believe that the presence of an HOA would enhance the opportunity for care coordinators to discuss best options in terms of cost and efficacy with the patient—now a stakeholder. In addition, Minnesota embraces the movement toward Primary Care Medical Homes. From my experience, this structure creates a culture of care that includes concern for resource use while striving to improve quality.

In practice, I can attest that limited enrollment and a conservative utilization reduction is the best approach, and I am particularly certain that the use of accounts-based plans will smooth transitions during the long-term implementation of ACA and could help patients, providers, and insurers make sense of often confusing decisions about choosing the best course for care and cost. ■