2 Introduction

The effectiveness of managed competition as a strategy to contain the growth in health care expenditures is now being debated at both the state and national level. A "managed competition" approach has been proposed by the Clinton Administration as the cornerstone of its plan for health care reform and serves as the basis for several legislative proposals for reform as well. In discussions of "managed competition," the Twin Cities market is sometimes offered as an example of an area where competition is "working," where competition has "failed," or where the elements of "managed competition" are now "in place." The purpose of this background paper is to clarify the features of managed competition as it has developed in the Twin Cities, to describe the relatively dramatic changes that are now transforming the Twin Cities' health care delivery system, and to discuss the implications of these developments for national health care reform.

The first section of this background paper provides an overview of health care delivery in the Twin Cities, as well as the components of Minnesota Care, the state of Minnesota's health care reform initiative. Understanding Minnesota Care is important for the subsequent discussion because it appears to be a significant stimulus for the restructuring of the market that is now occurring. The second section of the background paper describes the evolution of the health care market in the Twin Cities since the 1970s. The "conflicting evidence" about the results of competition in the Twin Cities appears to reflect, at least in part, the time period chosen for examination. This section also highlights the rapid changes that can occur in the configuration of health care delivery systems and the difficulty this poses for making predictions of

future performance based on past studies. The third section focuses on changes that have occurred in the demand side of the Twin Cities' market. An important element of the Twin Cities' *'story" is the recent evolution in the way private employers and state government have approached the purchase of health care. The concluding section summarizes the findings of the background paper and discusses their implications. Obviously, there are dangers involved in generalizing from the experience of a specific health care market. However, if that experience is interpreted cautiously, there may also be important lessons to be learned. It is hoped that this background paper will contribute to a better understanding of what can be learned from the Twin Cities' experience as the nation debates health care reform.