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# **Low-Value Care and Administrative Health Care Spending Studies**

**UPDATE FOR THE MINNESOTA LEGISLATURE**

June 2025

## **Low-Value Care and Administrative Health Care Spending Studies: Update for the Minnesota State Legislature**

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Update on Low-Value Care and Administrative Health Care Spending Studies



*Protecting, Maintaining and Improving the Health of All Minnesotans*

Minnesota Senate

*Health and Human Services Committee*

The Honorable Melissa Wiklund, Chair, 2107  
Minnesota Senate Building

The Honorable Paul Utke, Ranking Member,  
2403 Minnesota Senate Building

*Human Services Committee*

The Honorable John Hoffman, Chair, 2111  
Minnesota Senate Building

The Honorable Jim Abeler, Ranking Member,  
2207 Minnesota Senate Building

*Commerce and Consumer Protection Committee*

The Honorable Matt Klein, Chair, 2105  
Minnesota Senate Building

The Honorable Gary Dahms, Ranking  
Member, 2219 Minnesota Senate Building

Minnesota House of Representatives

*Health Finance and Policy Committee*

The Honorable Jeff Backer, Co-Chair, 2<sup>nd</sup>  
Floor, Centennial Office Building

The Honorable Robert Bierman, Ranking  
Member, 5<sup>th</sup> Floor, Centennial Office Building

*Human Services Finance and Policy Committee*

The Honorable Joe Schomacker, Co-Chair, 2<sup>nd</sup>  
Floor, Centennial Office Building

The Honorable Mohamud Noor Ranking  
Member, 5<sup>th</sup> Floor, Centennial Office Building

*Commerce Finance and Policy Committee*

The Honorable Tim O'Driscoll, Co-Chair, 2<sup>nd</sup>  
Floor, Centennial Office Building

The Honorable Kaohly Vang Her, Ranking  
Member, 5<sup>th</sup> Floor, Centennial Office Building

May 2025

To the Honorable Chairs and Ranking Members,

As directed in Minnesota Statutes 62J.0416 (<https://www.revisor.mn.gov/statutes/cite/62J.0416>), the Minnesota Department of Health (MDH) is responsible for studying the impact of low-value care delivered to Minnesota residents and the volume and growth of administrative spending by health care organizations and group purchasers.

Given the unique connection of these legislative studies to other timely and related work, MDH delayed the beginning of the low-value care and administrative spending studies. The delay provided the opportunity to connect these studies with other legislative efforts underway, including the Universal Health Care Financing Study, which is due to the legislature in 2026, and establishing the Minnesota Center for Health Care Affordability.

This report provides the legislature an update on the connected initiatives along with the goals and deliverables of the forthcoming studies. MDH expects to submit to the Minnesota Legislature reports on the low-value care

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and administrative spending studies with detailed findings and recommendations during the first quarter of 2026.

Questions or comments about this brief update report may be directed to Stefan Gildemeister, State Health Economist and Director of the Health Economics Program, at [Stefan.gildemeister@state.mn.us](mailto:Stefan.gildemeister@state.mn.us) or (651) 201-3550.

Sincerely,

/s/ Carol Backstrom

Carol Backstrom  
Assistant Commissioner  
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## Background

In the 2023 session, the Minnesota Legislature directed the Minnesota Department of Health (MDH) to conduct a number of health care market studies and data collection initiatives, including to develop recommendations for strategies to reduce:

- The magnitude of low-value health care delivered to Minnesota residents.
- The volume and growth of administrative health care spending by health care organizations and group purchasers ([Minnesota Statutes 62J.0416](#)).

To inform the recommendations, MDH is required to review available data, identify gaps and limitations in existing data, and estimate volume and change over time for low-value health care and administrative health care spending. Lastly, MDH was directed to conduct environmental scans and key informant interviews with experts and other interested parties on these respective topics.

Within MDH, the [Health Economics Program \(HEP\)](#) is directing these research activities and is responsible for reporting back to the Minnesota Legislature. This report provides a brief update on the status and milestones of both studies, and how this work intersects with the Universal Health Care Financing Study and the new Minnesota Center for Health Care Affordability. **MDH expects to submit to the Minnesota Legislature reports on the low-value care and administrative spending studies with detailed findings and recommendations during the first quarter of 2026.**

## Synergies between studies underway

Over the past several legislative sessions, Minnesota policymakers have demonstrated a firm commitment to better understanding challenges of the health care delivery and insurance systems in the state, with the goal to identify opportunities for transformation in the health care marketplace. Policymakers have done this by directing MDH to conduct studies, collect and report on new data, and seek perspectives from the public on policy approaches. Many of these duties interact, giving policymakers more complete, actionable information. This is also true as it relates to the studies of low-value care and administrative spending.

For example, the focus on prescription drug pricing and the functioning of the pharmaceutical supply chain is aimed at identifying strategies to address market failures, ensure that patients have access to high-value therapies, manage rising spending on entities that help to administer this complex system, and enhance affordability of prescription drugs. Additionally, the goal to collect prior authorization data is to envision a more streamlined, rational system of health care utilization oversight by insurance carriers, thereby reducing administrative spending and improving overall affordability.

The strongest connection, however, between MDH's assigned new responsibilities and the studies on low-value care and administrative spending is with the duties of the new Minnesota Center for Health Care Affordability and the study of a proposal to establish a Universal Health Insurance System, with single payer financing.

### Center for Health Care Affordability

The Minnesota Center for Health Care Affordability ("Center") was established to ensure that health care is affordable for all Minnesotans. The Center's inaugural director began work in January 2025, and the team has begun establishing communications and stakeholder engagement opportunities. The Center has begun recruiting for its advisory bodies, which will convene in the summer and fall of 2025. The Center convenes stakeholder groups to conduct targeted analysis (with support from HEP) of the drivers of health care spending, seek public input, and advance evidence-based policy solutions ([Minnesota Statutes 62J.312](#)) all in an effort to improve health care affordability.

The low-value care and administrative spending studies were passed simultaneously with the legislation establishing the Center as a key component in understanding what drives health care spending. The recommendations from these studies will contribute to the Center's work on evaluating spending drivers in the health care market, assessing impacts on individuals' experiences, and informing potential policy approaches to address rising health care spending.

In establishing the Center and determining the structure for public engagement, it became clear that a requirement of the low-value care and administrative spending studies to conduct stakeholder engagement, including with providers and employers, is well-aligned with the Center's ongoing engagement. The Center will be establishing advisory bodies to guide their work in 2025, and clinician and employer perspectives will be a part of that work. **MDH commits to ensuring stakeholders are engaged in elements of the studies (e.g. key informant interviews) as well as the ongoing work of the Center.** More details about the Center can be found here: [Center for Health Care Affordability \(https://www.health.state.mn.us/data/affordability/index.html\)](https://www.health.state.mn.us/data/affordability/index.html).

## Analysis of a Universal Health Care Finance System

The study of a universal health care finance system ([Laws of Minnesota 2023, chapter 70, article 16, section 19](#)) is aimed at assessing the cost and benefits of transitioning to a universal health care system with single-payer financing, compared to the expected cost and experience under the current system in Minnesota. This study, which is also due to the legislature in 2026, will provide a microsimulation analysis, ancillary analyses on a variety of topics such as labor supply, utilization, and budget impacts, in addition to an implementation timeline.

This study will benefit from the insights of estimating low-value care in Minnesota, total administrative spending in the state, and recommendations to reduce administrative spending.

## Status update

In January 2025, MDH issued two separate Request for Proposals (RFPs) for research or analytic consultant teams to support completing the low-value care and administrative spending studies. MDH anticipates that the respective vendors will begin work by Spring 2025 and complete work in early 2026.

## Study of Low-Value Care

Low-value care has been defined as “services that provide little or no benefit to patients, have potential to cause harm, incur unnecessary cost to patients, or waste limited healthcare resources.”<sup>1</sup> Linking to earlier work from HEP, the low-value care final report will include an assessment of how low-value care has changed over time and for which services and providers low-value care is occurring. The report will use the Minnesota All Payer Claims Database (MN APCD) and other relevant data to evaluate a set number of low-value care measures over the past few years and quantify utilization and spending. The report will include summaries of an environmental scan and key informant interviews from health policy experts, health care providers and/or provider organizations, health plans, policymakers, and leaders who have implemented strategies to reduce low-value care at the state or population level.

This report will provide policymakers, insurance carriers, employers, and health care providers a Minnesota-specific analysis of low-value care in Minnesota with recommendations to address and reduce low-value care.

## Study of Administrative Health Care Spending

Administrative spending in the health care system is one factor that is contributing to high and rising health care spending. Perspectives among analysts vary as to what constitutes administrative spending and which types of administrative spending are necessary, wasteful or, as an outcome of the current complex system, unproductive. The administrative spending report will include an evaluation of Minnesota and national data

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<sup>1</sup> Maratt JK, Kerr EA, Klamerus ML, Lohman SE, Froehlich W, Bhatia RS, Saini SD. Measures Used to Assess the Impact of Interventions to Reduce Low-Value Care: A Systematic Review. *J Gen Intern Med.* 2019 Sep;34(9):1857-1864.

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sources to estimate certain components of administrative spending in the Minnesota health care system and to understand gaps in data that hinder policymakers from understanding the true extent of administrative spending. The report will include an estimate of administrative spending by domain – the part of the health care delivery or insurance system where administrative spending is incurred – and types of administrative spending. The report will also include key informant interviews with those who have expertise in health finance, health economics, health care administration and management, and administration of health insurance benefits.

This report will include policies, strategies, and recommendations to reduce the volume and growth of administrative health care spending in Minnesota. It is intended to inform transformative change demanded by policymakers, payers, insurance carriers, regulators, and other stakeholders.

## Next Steps

MDH will work closely with the selected vendors to complete the required components of the low-value care and administrative spending studies and report back to the Minnesota Legislature early in the 2026 legislative session. Updates from the Center for Health Care Affordability and findings from the Universal Health Care Financing Study will also be shared with the legislature as information and findings are available. **MDH is working to ensure that these related streams of work connect and inform each other to produce timely and useful policy recommendations.**

MDH appreciates the input and interest from legislators and stakeholders to date and looks forward to further engagement on these initiatives and other relevant work. Study updates will be posted in the [Select Implementation Updates](https://www.health.state.mn.us/data/economics/updates.html) webpage (<https://www.health.state.mn.us/data/economics/updates.html>) and the final reports will be disseminated through GovDelivery<sup>2</sup> and the HEP Publications webpage ([www.health.state.mn.us/health/economics](http://www.health.state.mn.us/health/economics)).

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<sup>2</sup> Subscribe to [MDH Health Economics Program GovDelivery updates](#) to receive announcements.

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### **Minnesota Department of Health**

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June 2025

*To obtain this information in a different format, call: 651-201-4520*