



# STATE OF MINNESOTA

OFFICE OF THE GOVERNOR  
130 STATE CAPITOL  
SAINT PAUL 55155

ARNE H. CARLSON  
GOVERNOR

3 June 1991

The Honorable Robert Vanasek  
Speaker of the House  
Minnesota House of Representatives  
State Capitol House Chambers  
Saint Paul, Minnesota 55155

Dear Mr. Speaker:

I have vetoed Chapter 335, House File 2, a bill that provides for state-subsidized health care coverage. The attached letter to the people of Minnesota explains the rationale for this veto.

In taking this action, I renew my commitment to work with legislative leaders and others who have dedicated themselves to this issue. Our mutual goal must be a more realistic alternative that better meets the needs of all Minnesotans.

Sincerely,

A handwritten signature in cursive script that reads "Arne H. Carlson".

ARNE H. CARLSON  
Governor



# STATE OF MINNESOTA

OFFICE OF THE GOVERNOR  
130 STATE CAPITOL  
SAINT PAUL 55155

ARNE H. CARLSON  
GOVERNOR

June 3, 1991

To the People of Minnesota:

On May 20, 1991, the Legislature passed House File 2 which promised all Minnesotans health care insurance by 1997.

About six weeks ago, Senate Majority Leader Roger Moe expressed serious reservations about this proposed health care plan, saying that "you are talking not about a fiscal time bomb but a fiscal atom bomb."

Then, on May 20, the very last day of the legislative session during final floor action on the bill, Senator Don Samuelson, Chair of the Senate Finance Committee's Health and Human Services Division, voted against the proposal. He said it was "certainly not an easy vote to cast" but that he was doing so because "it would probably cost us in the neighborhood of \$1 billion." Senator Samuelson further predicted that "the tough votes will come in the future when we either have to curtail the program because we don't have the money, when we have to stop the program as we did the catastrophic health bill that we passed in 1978, or when we have to pay for the bill."

Minnesota's largest daily newspapers declared that this bill could be "a prescription for disaster" (St. Paul Pioneer Press, May 12, 1991) and that the bill "makes false promises about what it does and costs, and offers scant reform of a bloated health-care system that pampers many but excludes an unlucky few." (Star Tribune, May 24, 1991)

I agree with the thoughtful but guarded cautions expressed by these people. Therefore, I have vetoed House File 2, the bill providing state-subsidized health care insurance. I am now asking legislative leaders to work with me, the Commissioners of Health, Human Services and Commerce, health care providers and practitioners, public policy groups and health insurance companies to continue developing an affordable solution to the health care access problem.

Our collective charge will be first to fashion a responsible proposal that serves all of Minnesota's citizens well, a proposal that Minnesota taxpayers can afford. Then we need to take the time to submit the plan to extensive public scrutiny. For the record, I did propose an initiative that would improve Minnesota's health care delivery system. The legislative leaders refused to consider it. It was rational, realistic and sustainable.

To the People of Minnesota  
June 3, 1991  
Page 2

I will begin work immediately to revisit this issue. On June 20, I will participate in regional hearings on rural health care sponsored by the National Governors' Association in Sioux Falls, South Dakota. The report on this and three other regional hearings across the country will be presented at the Association's meeting in August.

Health care reform is the focus of the National Governors' Association this year. A major outcome of their effort will be a report detailing options states can use to control health care costs and to expand access to health care. I intend to take full advantage of this information as we work together here in Minnesota to find a solution that provides care for the uninsured without pricing those Minnesotans who now have insurance out of the market, or raising taxes to unacceptable levels.

Because the term "universal health care" has been too loosely attached to House File 2, this bill is perceived by many people as the answer to the problem. Unfortunately, it is not universal. At current funding levels, 90 percent of the population who want and need it will not be covered.

And so, reluctantly but with full commitment to reaching a more positive and sustainable solution, there was no honest option but to reject this legislation.

I did not make this decision to veto lightly. I am deeply concerned the public is being misled one more time. The very same people who gave us catastrophic health care with zero dollars now give us this plan which promises universal health care but delivers very little. Further, 40 percent -- or \$13 million of the allocated \$32.5 million -- would be spent on administration and creating a new bureaucracy. The Charities Review Council in Minnesota sets 30 percent as the maximum for administration. Why should government be allowed more?

I have numerous other serious concerns about this legislation:

- o It puts the state and Minnesota taxpayers at great financial risk at a time when we are already coping with the effects of financial shortfalls.
- o Although it has been billed as universal health care, it will cover only a few; further, it does not deliver the kind of health care coverage that people are expecting and want.

- o It requires all Minnesotans to have health care coverage by 1997 without fully identifying how taxpayers will pay for it.
- o It will increase health insurance premiums for many Minnesotans who are currently insured and could force them to join the ranks of the uninsured.
- o It will adversely affect the ability of private health insurance companies to continue serving individuals and small employers.
- o It does not bring about reforms that would cut the escalating cost of health care by assuring that all of the state's health care systems concentrate on necessary and basic health care. This must occur prior to establishing a universal program for all Minnesotans.

We need a plan to make basic health insurance affordable for all Minnesotans and I have tremendous compassion for those who are not currently covered by insurance. Fortunately, Minnesota has fewer people without access to health care than any other state except Hawaii. In Minnesota, the poorest are covered by Medicaid. Many children are covered by the Children's Health Plan which I strongly supported in my budget. And most elderly people have Medicare or supplemental health plans. But the sad truth is that basic health care coverage is beyond the reach of some in Minnesota and that is unacceptable.

Some of the uninsured -- about six percent of Minnesotans -- are individuals and families who are working and earning too little money to purchase insurance but too much money to qualify for Medicaid. Others are people, especially young people, who do not feel at risk and simply choose not to purchase insurance.

I am concerned about the financial burden we would be imposing on all Minnesotans if this bill were signed into law. Middle class families would be hardest hit by steep increases in their insurance premiums (if they are insured) and the higher taxes to be paid by all Minnesotans.

To the People of Minnesota  
June 3, 1991  
Page 4

Dedicating \$32 million of our precious resources during these uncertain economic times to an untried and unproven program -- the Minnesotan's Health Care Plan -- would not be prudent, especially since this program fails to meet the needs of the people of Minnesota. It has been billed as a universal plan when in reality it will provide inadequate coverage to only some people because of limited funds.

The Legislature chose to deal with the issue of insufficient funding by limiting the total dollars to be paid out. Thus, health care will be rationed. But who decides whether you participate or whether your neighbor gets into the plan instead? The legislation, in effect, tells the Commissioner of Health to decide -- to ration health care.

This is a difficult decision to make when only about ten percent of the uninsured would get services under the current funding mechanism. Will it be first come, first served? Or children first and elderly last? Or some other sorting out process? No matter how this decision is made, it is clear that the public expectation will far outweigh what the state will be able to provide.

Earlier this year I proposed a health care pilot project for Minnesota to learn more before proceeding on a statewide basis with such a costly long-term commitment by the taxpayers of Minnesota. I continue to believe this is a better approach. I thought we should provide needed health care to about 12,000 people to learn about their health care needs and how best to treat and fund those needs. We can use this information to develop a program in which we can all take pride -- one which would have full input from the practitioners and most importantly the consumers -- the group it must serve well.

Incidentally, this also is the approach being taken by most other states. The June 3 issue of Fortune magazine pointed out that "all plans for universal health care are either gone or reduced to demonstration programs . . ."

Unfortunately, the Legislature did not accept the idea of walking before we run. Instead they passed a bill which plays a cruel hoax on the uninsured of Minnesota. In fact, this bill is tantamount to consumer fraud.

While the legislation would provide state-subsidized insurance for someone without health insurance, the coverage provided makes little sense:

- o The insurance will pay for you to take your child to the doctor to check out a sore throat but will not cover the treatment if the child needs to go to the hospital to get diseased tonsils removed.

To the People of Minnesota

June 3, 1991

Page 5

- o The insurance will pay for the doctor's office visit that produces a cancer diagnosis but it will not pay for the hospital and physician costs of the operation to remove the cancer.
- o The insurance will pay for a stress test to check out your chest pain but it will not cover hospitalization for a heart attack.

Not until 1997 -- and then only if Minnesota raises taxes high enough to pay for the insurance plan -- would hospital costs be included in the plan.

I have talked to many people about this bill. I have discussed it with the authors, with many legislators, with health care professionals, with insurance representatives and with people from all walks of life throughout Minnesota. All agree we need to find a way to resolve the problem and to make sure all Minnesotans have basic health care coverage.

This plan does not do that. It provides only limited benefits to participants in the beginning and more benefits in years to come . . . IF we can increase state taxes to pay for it. This is bad planning. Funding issues must be addressed up front so we do not have to play the cruelest of all tricks on the people of Minnesota and withdraw coverage at some future date.

Most people are unaware of the financial burden this bill would impose on the vast majority of Minnesotans who now are insured. For many, health insurance premiums will increase because of a mandated community rating system to be used in calculating health insurance premiums. This provision would raise the cost of coverage for young, healthy people by pooling them with the chronically ill, the elderly and other less healthy people.

Young people, who currently make up a large number of the uninsured, often have relatively low incomes and the expense of raising small children. Yet the net effect of this legislation would be to raise the cost of health insurance coverage for these people which may force them to become uninsured.

Further, analysts in the Department of Health and the Department of Commerce have informed me that community rating would have an especially tragic impact on rural Minnesotans. This is unacceptable to me.

To the People of Minnesota  
June 3, 1991  
Page 6

The demise of the competition that now exists in the private health insurance market is another troublesome outcome of this legislation. Small health insurance companies are likely to be priced out of the marketplace first, but the large carriers could soon follow, especially if a government program becomes their major competition. Likely we would end up with an inefficient and expensive state government operated health insurance program that could only lead to outrageous across-the-board tax increases for all Minnesotans. The option to choose a private insurance company would be lost.

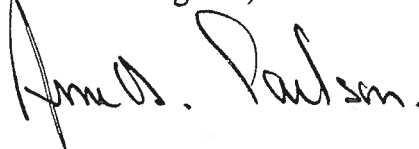
The escalating cost of health care is affecting people everywhere in this country. In fact, there is common agreement that reforms in the delivery system are long overdue and necessary if people are to continue to be able to afford health care. For this reason, I proposed a pilot program which would begin to gather data on what works and what does not for specific illnesses and medical situations.

This data base, envisioned as a critical tool for health care professionals, would help everyone make more enlightened and responsible decisions and to spend their health care dollars more wisely. The fact that this initiative is part of House File 2 compounds the difficulty of this veto. Nonetheless, I believe it is important that we not put the cart before the horse by launching an expensive universal health care program prior to addressing important managed care and cost containment issues.

As strongly as I believe all Minnesotans should have access to health care, I do not believe House File 2 is a responsible solution. In summary, this bill creates false hopes, provides only very limited care to a few people now and mandates exorbitant budget-busting costs in later years. It builds in no cost controls, it might encourage people to come to Minnesota for health care, it will increase rates for small group employers and for young, healthy people and it will drive up the cost of insurance premiums for many, if not most, Minnesotans.

For all of these reasons, I am vetoing House File 2. In doing so, I want you to clearly understand that I have not wavered in my commitment to address this problem. My hope is that the 1992 legislature will work closely with me to develop a proposal that works better for the people of Minnesota now and in the future.

Warmest regards,

A handwritten signature in black ink that reads "Arne H. Carlson". The signature is written in a cursive style with a large, sweeping initial "A".

ARNE H. CARLSON  
Governor