

STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 13, 2008

The Honorable Margaret Anderson Kelliher
Speaker of the House
463 State Office Building
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

Dear Speaker Kelliher:

I have vetoed and am returning Chapter 327, House File 3391, a bill relating to health care.

As the Transformation Task Force began its work, we agreed that merely expanding access to a broken system would be unsustainable and unwise. The goal was to make fundamental changes in how we deliver and provide care in order to lower costs and improve quality, and to use some of the savings to expand access. Unfortunately, many months later, this bill fails to achieve those goals. H.F. 3391 emphasizes expanded access at the expense of meaningful cost containment and quality improvement. The bill also did not attract significant bipartisan support, and it does not meaningfully incorporate the suggestions of minority members.

The level of expansion in public subsidies for health care in this bill, without evidence of achieving cost containment, is excessive and irresponsible. The state cannot afford to further expand subsidized health programs without certainty of reform that will control costs and without an overall budget agreement that deals adequately with our current and future budget deficit.

The bill adds a significant number of new initiatives related to health care access and expansion, most of which are within the MinnesotaCare program. According to the appropriations article, new annual spending out of the Health Care Access Fund would reach \$141 million by FY 2011. Since many of the eligibility changes would not be implemented until well into FY 2010, the full, annualized cost of many of these provisions are underrepresented by these fiscal estimates. Although the bill would leave an estimated \$153 million balance in the fund at the end of FY 2011, the additional

spending would create a structural deficit in the fund of \$124 million in that year, meaning the fund may not be able to cover obligations through FY 2013.

It should also be noted that significant discrepancies exist between provisions in the appropriations article of the bill and amounts reported on the bill's spreadsheet.

I am particularly concerned about the provisions in the bill that "crowd out" private coverage, including the repeal of the \$50,000 income limit for MinnesotaCare and the repeal of the four-month barrier. Our goal should be to encourage more individuals to participate in the private sector, not to make it easier for those currently in private coverage to transfer to public coverage.

The Delayed Verification, Premium Grace Month, and One Month Rolling Eligibility may have the combined effect of applicants whose verification has yet to be determined receiving a free month of initial coverage, and if they refused to pay, receiving an additional free grace month. As a result, the state could provide two months of MinnesotaCare coverage to individuals or families who decide not to enroll or who are determined not eligible. This is bad public policy.

H.F. 3391 requires DHS to improve coordination and data transfer with social service programs, including schools, and to develop automated systems to identify persons served by such programs who may be eligible for public health programs. Significant changes in state law and federal waivers will be needed to allow MHCP enrollees to renew their coverage through these social service programs. Allowing MA enrollees to participate in this manner may also violate the federal requirement to administer MA through a single agency.

H.F. 3391 also includes subsidizing households with income up to 400 percent of federal poverty guidelines. This is simply too high. A family of four with income up to \$84,800 would be eligible under this legislation. This is above the Minnesota *median family income* for a family of four of \$81,477. Also, the new affordability standard linked to income is unwise. Such a standard would be subject to "auto pilot" increases as health care costs likely will continue to rise faster than income.

All government entities are excluded from the "baskets of care" provisions in this bill. While there may be a legitimate argument to exclude or delay this section for DHS and its programs, DOER and other local government entities should be included in this

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opportunity. The language in the bill could result in cost shifting and would not provide the simplified pricing structure that is intended by this section.

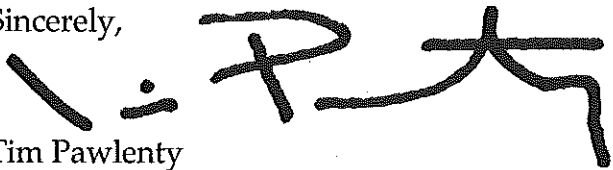
I am also concerned about portions of the bill that seek to design certain benefit sets. The benefit set envisioned by the bill seems geared to result in a high-cost product. In addition, while we must use sound scientific evidence and processes to determine which therapies to include in these benefit designs, the bill establishes a process that could inappropriately serve to restrict access to certain new therapies and technologies.

Finally, the bill does not provide adequate resources to implement the many health care reform responsibilities given to the Commissioner of Health. The Commissioner's duties are substantial under the bill, but the bill allocates less than half the needed funding to implement these responsibilities. Without adequate funding, implementation of the Commissioner's duties will be impossible to complete.

This bill makes progress in several areas, including improved transparency of price and quality, advancement of e-prescribing and electronic health records, development of medical homes, care coordination of chronic disease, and the beginning of payment reform to pay doctors for evidence-based, high-quality health care.

I hope we can move forward on these areas of common agreement and make some progress toward broader health care reform.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Pawlenty', with a stylized flourish at the end.

Tim Pawlenty
Governor

- Cc: Senator James Metzen, President of the Senate
Senator Lawrence J. Pogemiller, Majority Leader
Senator David Senjem, Minority Leader
Senator Linda Berglin
Representative Marty Seifert, Minority Leader
Representative Thomas Huntley
Mr. Patrick E. Flahaven, Secretary of the Senate
Mr. Al Mathiowetz, Chief Clerk of the House of Representatives
Mr. Mark Ritchie, Secretary of State