



Minnesota Journal

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A publication of the Citizens League

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Volume 8, Number 11
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Legislators examine health plans

by Allan Baumgarten

As soon as word got out that health insurance was on the agenda, dozens of new and returning Minnesota legislators when they arrived in St. Paul in January. Within a few weeks, most legislators in both houses had signed on as authors of bills that were intended to make health coverage available to uninsured Minnesotans.

An estimated 280,000 (6.5 percent) Minnesotans are uninsured. Minnesota does a better job than almost every other state in making sure its citizens have access to health care; only Hawaii has a lower state rate of uninsurance.

Minnesota's relatively high rate of coverage is partly explained by its array of public programs for persons who might otherwise go without coverage. Home-grown programs like the Children's Health Plan and the Minnesota Comprehensive Health Association (MCHA)—the state's health-insurance risk pool—have broad eligibility criteria, as does the state's Medicaid program.

Legislators have several proposals to choose from, three of which are actually moving through the legislative process. They are:

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Carothers wonders whether state will make hard higher-ed choices

by Stephen Alnes

Robert L. Carothers first made his mark on Minnesota higher education as a turnaround artist at sickly Southwest State University in Marshall.

The school experienced its fourth consecutive year of enrollment decline in 1983, the year Carothers became its president. Whenever

people talked about shutting some of the state's higher-education capacity, which was often, Southwest was always on the list.

Carothers led one of the most aggressive public-college marketing efforts the state had seen to that

point. From 1983 to 1984, enrollment jumped almost 13 percent, including a 26 percent increase in the freshman class. Other colleges and higher-education systems also simultaneously or subsequently undertook selling campaigns that contributed to the overstuffed campuses and financial problems of today.

Carothers went on to become chancellor of the State University System in 1986. He will leave that post July 1 to become president of the University of Rhode Island. He conceded in an interview that, if he had the chance to do it again, he wouldn't push so hard for enrollment growth.

Carothers said, "I remember a conversation I had with (Publisher) Roger Parkinson at the *Star Tribune* at that time, and he asked me, 'Should we have more education or should we have better education?' And I said more, that the goal in southwestern Minnesota was clearly to deliver education to people who had not had access to it before.

"But if I were asked that question today, I would answer pretty emphatically on the other side of it, that we have overextended ourselves in the attempt to provide more education. And it's been at the expense of quality."

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Panel proposed to study new health technology

by Carole Peterson

"Halfway technologies." The words conjure images of something undone, unfinished. In the medical field, halfway technology refers to new technology—often procedures or machines—that are adopted for widespread use before their effectiveness has been determined. It is technology that is, in a sense, unfinished. The term is not very well known to the general public, but it's becoming more familiar to medical practitioners as the rate of new technological developments in health care increases.

The dilemma. A recent draft report by the Metropolitan Council and its advisory health planning board, titled *Reassessing the Spread of Medical Technology in the Twin*

Cities Health Care Marketplace, calls attention to what it identifies as the growing issue of halfway technology and the proliferation of increasingly costly, sophisticated machines and medical programs in general in the Twin Cities health-care marketplace.

It describes the "competitor's dilemma," a phenomenon that health-care providers have found themselves in since the deregulation of the health-care industry in the early 1980s. According to the report, the dilemma places at odds the needs of the patient and broader community, on the one hand, and, on the other, the needs of the institution to stay competitive.

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A 1 percenter gets reassurance on his plight

My friend lives, you see, in one of Minnesota's smaller cities. And he's been a bundle to handle this past month. He smells change. He looks for reassurance. He's worried sick over residential property taxes. Never bothered him much before now.

He's been lucky, he thinks. He makes above-average money, owns a modest home, and he knows he's paying really low property taxes. He's starting to sense that he's a 1-percent-class-rate junkie, but he's not eager for intervention.

The governor, he's heard, is bent on taking away his 1 percent solution. The governor is saying he's got to dry out and belly up to reality. He's got to give up this dependence on that syrupy 1 percent stuff and get used to a tougher grade—at least 2 percent. The governor says my friend's contributing to a crisis in accountability—letting local governments spend more, knowing he doesn't care, because he doesn't pay that much.

"Who is this governor-guy?" he asks. "What kind of nerve is this? My 1 percent has been a faithful fellow for all these years," he says. "Why change now? Not that I couldn't," he says. "Sure, I could do it. I could cut it off, go for years without it, no problem. But why? It helps me, and it feels just right."

Gotta call my mayor, he decides. He'll know what's happening. The mayor says not to worry. Says most of his neighbors are drinking the same stuff. Seems that most of

Free Estimate

by Curtis W. Johnson

the town is on the 1 percent solution. Besides, the mayor tells him, the city council likes it that way.

It helps a lot when the tough decisions they make don't really affect most of the voters all that much; maybe the businesses in town and the folks with the bigger houses get hit with stiff tax increases, but not much on most folks. Great stuff, that 1 percent solution!

But my friend knows that the mayor's worried, too. And that he's been talking a lot lately to our state legislator. "We'll get to him," the mayor promises. "He'll stop this nonsense; he'll understand that we're used to this 1 percent brew. All of us on it agree." Then my friend's mayor confesses that he and the council get a little batch of

something sent from St. Paul themselves—every year.

The mood really shifted when the state legislator showed up, says my friend, nearly boasting now. "What an understanding guy! Understood right away that the governor was trying to interfere with our lifestyle. He told us not to worry." The Legislature would save the day, he assured them. "If it takes money, we'll find it." Never mind the press reports about the fiscal crisis, he seemed to be saying. Nobody should be denied his 1 percent solution.

Which makes my friend feel better, but a little confused. "Wait a minute," he said, "I thought this property-tax business was just a local deal. Don't my mayor and

council members, and my school board and county commissioners really control this?"

"Didn't the previous governor say a hundred times that the property tax was a local tax? How can the state step in and change everything?"

"Not to worry," said the legislator, "we've been doing this for a long time. You'll get your next 1 percent batch again next spring. Just try not to read the newspapers; all that talk, it'll just confuse and upset you."

So the crisis seemed to pass. And my friend's doing all right, except for this recurring premonition about a group of tax-reform vigilantes bent on intervention coming in and packing him off to some institution with orders to stay there for 28 days, or even longer if that's what it takes to drive the subsidies out of his system. If that ever happens, he hopes there'll be counseling available.

LGA held based on political influence

Rep. Terry Dempsey, IR-New Ulm, House minority leader, at Citizens League meeting April 2.

I come from a community that benefits very much from the present (local-government aid) system, the City of New Ulm, a town of 15,000 people with no significant urban problems. Approximately 47 percent of the money that is spent in the City of New Ulm is raised by sales tax and income tax, none of which are locally imposed...

I'm not quite sure how we arrived at this, but I do believe...the formulas are based upon political influence. I really don't believe there is a totally objective analysis of what is the need in the community...I'm not sure...Rochester(s)...music department on the municipal level is necessarily a need...that should be state funded. It most certainly is an appropriate thing for the City of Rochester to do, if the people in Rochester want to pay for it...

Our need formula right now is based on how much the municipality spends. If you spend more, you get more...I can tell you, Gov. Carlson went after it with a meataxe... But really, I'm not sure you can get at it any other way...You can't wean these communities off of what they've been exposed to for

so long...If you're going to inflict pain, it doesn't matter if it's a little pain or a great pain, you're going to get the same cries of anguish. So I think...Gov. Carlson did the right thing...

People in the local communities should be responsible to know what their local municipalities are spending. In the City of New Ulm, every time we spend a dollar, only 50 percent of it is felt in my pocketbook...I can just say, "Go ahead and spend...It doesn't make any difference." So by putting the burden back on the municipalities, you will create accountability which does not now exist...If (a) community wants to raise their spending, the taxpayers should be responsible for that decision to the extent that, if they're going to get that new ice arena or that new whatever, that they ought to know how much it's going to cost, and then they ought to pay for it...

The governor...has also said that we've got an unfair tax situation in Minnesota...I don't know that there's any other state that has a three-tier real estate tax on homes... We have it...because there's a perception that if you have a home that's more than \$110,000, you're rich, and therefore you ought to be paying 3 percent on that home.

And if you live in a \$68,000 house, you're only paying 1 percent...because you're poor. Now there's absolutely no relationship between the value of your home and how much you make, but the perception is that there is...We've gotten to the position where people...are literally being taxed out of their homes on the high end of the scale. The 1-percenters are living pretty good...

So...the governor has said...we have to...lower the top end and raise the bottom end. Well, let me tell you, that really makes for good political dialogue...We're not arguing about the merits of the changes. We're talking about ripping the poor people to benefit the rich people. That's what you keep hearing about the tax system...You can believe that, if you wish, but every objective study that's been made has said that the tax system isn't working...It's unfair...

What the Carlson people have done is absolutely right, I think, in the sense of the theory, but it's terrible politics...It's great at the Humphrey Institute, but it doesn't go well at the Ulmer Cafe in New Ulm...The only silver lining in having a shortfall (is) it's going to make sure that we do some structural changes...

The Minnesota Journal

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Editors reject increase in sales, income taxes

Star Tribune said (April 10) the solution to the state's fiscal difficulties should not be an increase in income taxes to buy down property taxes. "That's been tried many times before with many hundreds of millions of dollars."

Pioneer Press said (April 11), "The last thing Minnesota needs is an increase in state income taxes." It said the House DFL "offers a disappointing road map to repeat the mistakes of the past."

Rochester Post-Bulletin said (April 4) shifting the tax burden from one group to another or from one method to another "is a futile exercise." Instead, the state needs creative management to cut operating expenses.

Worthington Globe said (March 29), "We've had just about enough of Arne Carlson." It added Gov. Carlson "has so completely alienated his rural constituents that he may never recover from the actions of his first three months in office."

St. Cloud Times labeled (March 31) a "farce" the workers' compensation package put together by representatives of the Minnesota AFL-CIO and Minnesota Chamber of Commerce. It said when the two sides sat down to draw up a plan, labor "must have had all the pencils."

Mankato Free Press said (April 9) it is skeptical that a proposal to merge the State University, Community College and Technical College Systems would actually save money. Still, it said the proposal is "a place to start" in addressing the problems of a "bloated" higher-education system.

Star Tribune said (March 31) the proposal to merge the three college systems "is more likely to accomplish what has not been possible thus far: the necessary reallocation of funds to improve cost-effectiveness, educational quality and professional opportunities for faculty." **St. Cloud Times** urged (April 10) caution in dealing with the merger proposal, saying it comes too late in the session and needs a careful study.

Worthington Globe approved (April 3) tax increases on cigarettes and alcohol as a way to address budget problems.

On Balance

Bruised in previous tumbles, Minnesota editorial writers resolutely climb back on their ideas and ride again.

Star Tribune opposed (April 5) legislation that would prohibit companies from permanently replacing employees who strike because it would upset the labor-management balance.

St. Cloud Times said (April 3) the Legislature should stop worrying about giving a break "to suckers who want to gamble—and start giving some thought to the organizations trying to do some good with gambling profits." It urged doing away with the requirement the pulltab operators must post the big prizes that have already been won, saying it takes the gambling

out of gambling.

Post-Bulletin chided (April 3) DFL leaders for "attempting to tamper" with the procedure for naming a University of Minnesota Regent from the 1st District—"the only one in which IR legislators have a majority." **Free Press** said (April 10) the fuss over selection of a 1st District regent shows that politics can't be completely removed from the process, nor should it be in a democratic society.

Pioneer Press said (April 10) Gov. Carlson's appointments to the Metropolitan Council don't match

his pledge to revitalize the "moribund regional planning agency." Only two of the new members and the new chair "have significant experience in local government and regional issues."

Hibbing Tribune said (April 1) the state should make good on former Gov. Perpich's pledges to provide \$1 million in financing for the Superbowl and NCAA Final Four to be held in the Twin Cities in 1992.

Fergus Falls Journal said (March 28) the proposal for a state health-insurance program has been thoroughly researched, well-documented and is "an idea whose time has come."

Post-Bulletin supported (April 9) giving "serious consideration" to the idea of permitting voting by mail.

Long: State-local system not working

Rep. Dee Long, DFL-Minneapolis, House majority leader, at Citizens League meeting April 9.

Is the state-and-local-fiscal relationship working?...It depends on whom you ask...If you ask somebody from Hibbing...they're probably going to give you a resounding yes, unless they happen to own commercial-industrial property...If you live in much of nonmetro Minnesota, the answer would be yes, it's working, keeping the property taxes down...If you ask the people in my area of town...you will get a very resounding no...

My overall response is, no, the system is not working. I've seen us tinker with it so consistently and for so long that sometimes I think the most radical reform would be to be say, "We're not going to do anything for the next five years and leave it the way it is." But certainly that wouldn't work when we have outraged citizens protesting the property-tax hikes and pressure consistently from local units of government...

We put together a study, looking at coming up with a more equitable local-aid formula, how we would actually define need, because for years, we've said, well, we need some equalization process. Local government aids were to accomplish this, and it should be on the

basis of need. Well, nobody knew how to define need. And so need was generally defined as either what had been spent or what they anticipated spending...

We do have that study now completed...I'm frankly not terribly optimistic that we're going to go ahead and do with it as we ought to, which is to spend the time to design a local-aid formula based on that information...

What are my impressions of the governor's proposal? I'm tempted to say I don't do impressions... There are elements of the proposal I'm supportive of, elements of the proposal I have questions about and some parts I don't support. I am curious why, not operating in a vacuum, a proposal which appears to many of us to be doomed from the start politically, was laid on the table, that being a proposal which would adversely affect most of the constituents of most of the members of the Legislature...

I am just as concerned about the third-tier effect (the property-tax classification on residential valuations over \$110,000) as the governor, perhaps more so...I understand just how devastating those effects can be on a lot of folks. We're struggling to find a way to pay for at least a portion of buying down of the third tier, because I think it's

something I think we can sell politically...In some ways I regret the fact the governor floated the flat 2 percent because it makes it a little difficult for us when we talk to people who don't pay a lot of attention to these issues, because when I talk about my problem with the third tier, they immediately think I'm going after their low-valued home...

I think we're going to do something this year...I would like to see us abolish the third tier in one year. I don't know that that's feasible. The governor does it over three years. That's not particularly acceptable to me. I'd like to see something done at a max within two years. Whether we can do that in this year of budget constraints, I don't know...

I do not agree that the reason we got into what we're in this year is totally due to overspending. Yes, we overspent. We also had not a Minnesota recession, but a national recession. And because of this there are about 36 states that are looking at significant budget shortfalls. Now the DFL and Rudy Perpich weren't operating in all 36 of those states. The common factor was the national recession. And it has hit and it has accentuated the problem that was already there with the overspending...

Technology

Continued from Page 1

Most health-care providers want to make decisions to acquire new technology based on the needs of their patients and the community, but in our competitive environment, those same providers often feel compelled to purchase the latest technologies to get ahead of their competitors down the street.

The dilemma is felt not just by Twin Cities hospitals, but by a growing number of outpatient medical centers and large group practices. Advances in medical technology have made it possible to do on an outpatient basis what once were inpatient medical procedures.

Changes in insurance payments for medical care have encouraged outpatient care. There are examples in which multimillion dollar diagnostic machines—one for inpatients and one for outpatients—operate within “spitting distance” of each other here in the Twin Cities.

The implications of proliferation. This proliferation is expected to increase as the rate at which innovations in care accelerate and as the region's population ages. The situation may be less than healthy for patients and for the community as a whole. Health-care observers are raising questions about the appropriate use and, in some cases, the inappropriate overuse of technologies that, once in place, have to be paid for. It's a situation that also raises quality-of-care issues.

And it's expensive. With each new advance, costs can increase many times over, and those cost increases are being felt in the consumer pocketbook in the form of double-digit health-care premium increases. From an economic standpoint, the unnecessary duplication of sophisticated and expensive programs is eating up an increasing share of the metro region's resources that might be spent better elsewhere.

All the attention accorded the latest in technological fixes for health problems results in less attention on the preventive care that might have eliminated the need for more sophisticated care in the first place.

It uses up a disproportionate share of resources that might have been used to provide equitable access to



*“I have an idea,...
Let's just rent it!”*

decent care for everyone, including those Minnesotans now going without even the most basic services. Life and death dilemmas are also the result of a system that has emphasized what *can* be done in medical care, without considering what *should* be done and when.

Why is it happening? There is no shortage of reasons why there's so much emphasis in the health-care system on the latest and the best in technology. At the most basic level, the U.S. believes progress and technology go hand in hand.

At the consumer level, the public hopes for new tools to fight the diseases of the day. At the health-care system level, the incentives are legion. Medical schools continue to train disproportionate numbers of physician specialists who are the major users of high-tech medicine. Third-party payment policies—what the insurer will pay for—have often encouraged high-tech medicine. Medical manufacturers aggressively pursue new products, and providers to showcase them. Antitrust laws are now applied to the health-care industry, effectively limiting the sharing of costly programs among providers.

What can be done? The Health Planning Board admits that uncontrolled health-care costs and overemphasis on technological approaches to health care are problems that affect the entire nation. But the Council report suggests that something can be done to take a more rational approach to expensive new technologies at the state level or at the Twin Cities regional level, where most decisions are made about what kind of care to provide and how to pay for it.

The board suggests establishing a community forum to address emerging medical-technology issues. The board members feel

strongly that community input is needed in formulating the forum's structure, membership and process, so the report does not come to conclusions in those areas.

But it does spell out the major characteristics of the forum. It calls for health-care providers, third-party payers, major purchasers, medical manufacturers and consumers to make up the forum. It would work on a voluntary basis.

The forum's function would be to make recommendations about the need and distribution of technologies just emerging and not yet introduced into the local medical marketplace. This concept is crucial to the proposal. It's next to impossible to limit technology already in place or committed to by a provider, as previous attempts to slow the diffusion of technology of have shown. A consensus should be arrived at regarding the community need for a technology before the fact rather than after.

The “teeth” of the process (and the incentive for providers to take part) would come from third-party payers. They would be encouraged to use the forum's recommendations as the basis for their payment decisions on those same new technologies. In the past, payers have not used their clout in limiting un-

necessary or unproven technology.

A new balance. The board report is clearly not calling for a return to Certificate of Need, a former state law and process that required hospitals and nursing homes to get state approval before making major changes in programs or services.

It's also not calling for an end to competition in the health-care system, but “a new balance” of competition, regulation and voluntary efforts to control new and expensive health-care technology. It would, however, require state legislation so the forum process would be taken seriously and, if needed, to exempt the process from antitrust issues.

A subcommittee of the Health Planning Board talked with several dozen people from inside and outside the health-care industry to develop its proposal. Interest in the community forum idea has been high, and final action by the Council to adopt the report is pending. Focusing on the issue of emerging technology is only a small part of the health-care dilemma, but it is an area where local decision-making can make a positive differ-

Carole Peterson is a senior planner at the Metropolitan Council.

An uncertain mission

From An Education Agenda for Minnesota: The Challenge to our Communities and Schools, Minnesota Business Partnership, March 1991.

The mission of education is unclear; the social agenda of schools competes for resources and staff time with the academic agenda... Too many non-academic burdens are taken on by teachers...

Current efforts in R & D need to be expanded to include study of learning readiness and should link health and human-service agencies in the R & D initiatives. State-wide educational R & D initiatives should adopt an industry R & D model with an emphasis on development of the ability to transfer technology...

The state should identify general education goals for state students and provide districts with a variety of proven assessment tools which can measure progress toward

those goals... The number of statutory and rule mandates should be reduced...

Portions of the educational-delivery system in Minnesota should be aggressively decentralized... Meaningful resource allocation decisions should be allowed to occur at the school level. Principals and teachers should be provided training and support necessary to effectively act in such capacities...

The Legislature should enact initiatives which increase the state share of education funding and the equalization of levy referenda, and should develop a rationale for the distribution of funding responsibilities between the state and individual districts...

A system of peer evaluation of teachers should be developed... Mechanisms which encourage students of color to enter the teaching profession should be developed.

Plans

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proposal of the Minnesota Health Care Access Commission.

- An insurance industry-backed plan, known as the Blue Cross Bill, to make coverage more affordable to small businesses.

- A pilot project for an outcomes-based health plan, which has support from large corporations in the state and from Gov. Carlson.

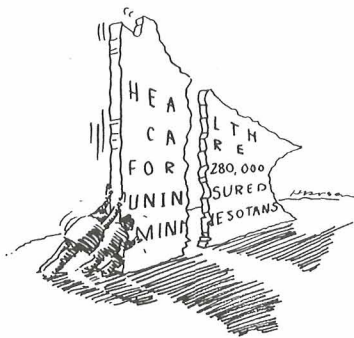
Each is being amended as it goes from committee to committee. House committees have begun to assemble a compromise package, using elements from two of the proposals. In the Senate, key elements of the Blue Cross proposal were changed by the Commerce Committee.

The three proposals are different in many important ways. They vary in the division of responsibilities among state government, businesses and individuals, in their costs, in the benefits they would provide, and in the population that would be served.

Of the three, the most prominent is the bill resulting from the report of the Minnesota Health Care Access Commission, established by the 1989 Legislature. The commission's proposals emphasize state government's role in expanding access to health insurance. The state would create, finance and administer the Minnesotans' Health Plan for all people who are uninsured as well as an additional 206,000 people considered underinsured—people who have individual coverage that is expensive and doesn't cover much.

The plan requires all Minnesotans to have health insurance, and the commission's actuaries assumed almost universal enrollment in developing their cost estimates. The net cost of the program to the state is \$284 million a year, when fully operational. While the basic monthly premium for the plan is \$101, households with incomes below 275 percent of the federal poverty level (\$34,947 for a family of four) would be subsidized on a sliding scale.

The commission's bill also limits the ability of insurers to screen and reject individuals and groups and requires insurers to set a single, "community-rate" premium for



The Legislature Closing the Gap

groups smaller than 30 employees. A new state agency—the Department of Health Care Access—would run the program and eventually most other state health-care programs. The new agency already has been written out of the Senate version of the bill.

It is the Access Commission's emphasis on a strong state role that has generated the most concern from the insurance industry and business. In their view, the stringent underwriting limitations and the availability of the subsidized state plans may encourage employers who now provide coverage to employees to drop it. In such cases, the employer's contribution to the cost of insurance is reduced or lost.

The outcomes-based pilot is also a state-organized and financed program. It would cover a much smaller group at first, perhaps 12,000 persons, at a cost of \$15 million for the biennium. It is voluntary, with broad eligibility. Many details about the scope of the program, cost-sharing by patients, the role of employers and benefit design are yet to be decided.

As the program is described, patients are given incentives to select only treatment likely to be necessary, effective and reasonably priced. Doctors and hospitals are given incentives to deliver that kind of treatment. The plan depends on widely shared information about medical treatment and results.

The program is intended to extend health care to more people through savings that its authors project will result from emphasizing quality and discouraging unnecessary care. Expansion of the program will be funded from future savings, although how such savings can ac-

tually be captured has stumped many.

Supporters of the Blue Cross bill argue that private market efforts can solve a large part of the problem of working people who lack health coverage, especially if state government takes a few steps back. In their view, affordability of health insurance to small employers is the key problem. The Access Commission's research shows that most uninsured persons are working people and their children. Many are self-employed or work in small businesses that find health insurance unaffordable.

The Blue Cross proposal acknowledges that insurance industry practices have kept some small employers out of the market. It proposes a series of reforms that would require insurers to accept small groups during a transition period, limit premium variability and annual increases and create reinsurance pools to share a portion of the risk.

Small employers who were interested in offering coverage told Blue Cross that they could not afford to buy unless premiums came down by at least 20 to 25 percent and future increases were limited. Blue Cross said that its bill, as originally introduced, would allow it to reduce premiums by about 20 percent. The obvious appeal to legislators is that it requires no direct state funding.

Key to achieving savings is that the state would waive certain mandated benefits, including treatment for chemical dependency and mental illness, as well as treatment by nonphysician providers.

Relaxation of the mandates for small businesses, which has been done in several other states, is strongly opposed by several groups. When Blue Cross offered to add a limited mental-health benefit for diagnosis and treatment of certain mental illnesses, opponents argued that the benefit is of little value, because there is no coverage for the prescription drugs needed to treat those conditions. Bill opponents amended it in a Senate committee to add back in key benefits.

The Access Commission's bill includes a relatively broad set of benefits, with first-dollar coverage on most outpatient care. The Blue Cross plan offers fewer benefits and does include some significant cost-sharing by enrollees.

Like many other issues, access to health insurance will probably not be resolved, if at all, until the end of the session, when conference committees make their final decisions. In a session where resources are very scarce, there is surprisingly strong momentum to pass some parts of the Access Commission plan. To gain consensus, however, the Legislature may very well enact portions of all three plans.

A program for river spills

From Protecting the Mississippi River: A Blueprint for Spill Prevention and Preparedness, Minnesota Pollution Control Agency, April 1991.

Manufacturing, transportation and storage activities along and on the Mississippi involve several million tons of petroleum products and other hazardous materials annually. At least 75 facilities—including refineries, chemical plants, and product transfer terminals—lie near enough to the river to pose a spill threat...

We recommend that existing state law be amended to require all handlers of significant quantities of petroleum products or other hazardous materials to take measures to prevent spills and be prepared to adequately respond to a spill...The MPCA should have the authority

to review a company's prevention measures, verify the existence of a spill plan, review the adequacy of the company's preparedness to respond and impose penalties for failure to comply...

We recommend that a voluntary spill-prevention and planning-assistance program be implemented by the MPCA. Companies could request the MPCA to conduct spill-prevention assistance audits...We recommend that legislation be enacted to require a business to submit to a spill-prevention compliance audit...

We recommend the state develop a river-spill response training program. Training should be available to local emergency response personnel, employees of potential spillers, and others...

Carothers

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While colleges were marketing, they were also responding to changes in the market—different demands and desires of potential students. Separating the effect of the two forces is difficult. But together they have produced what is one of the nation's highest college-attendance rates and one of the highest state per-resident expenditure rates for postsecondary education. Despite high total spending, the expenditure per student is only about average because there are so many students.

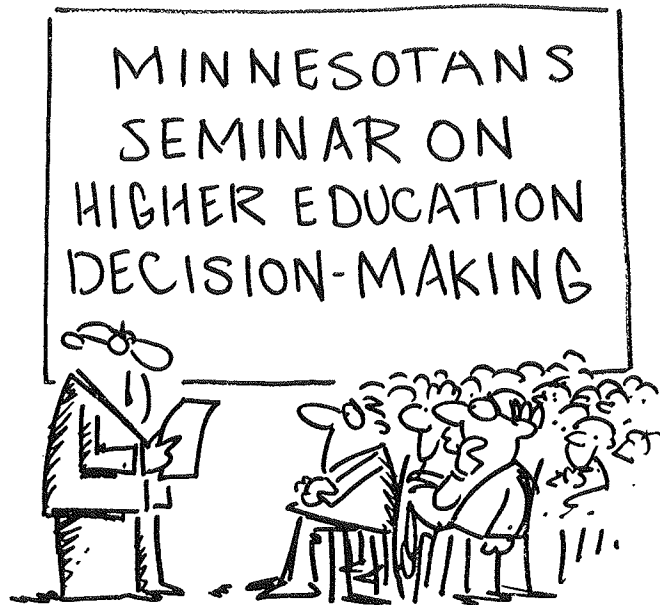
"The very high level of participation is a goal that was established, somewhat informally I think, over the years," Carothers said. "We have many, many more people graduating from high school than in the past and than in relationship to other states, and more and more people going on to higher education than in the past, and more coming back to higher education... People are using higher education in a way they never did before."

The way the state has organized to deliver higher education also "has been driven by a kind of informal policy goal of maximum accessibility," financial, geographical, in the evenings and on weekends—services of many kinds "to nearly everybody whenever he or she wanted to go and wherever he or she wanted to go," he said.

"In doing that, and I think it's consistent with the sort of populist tradition in Minnesota, we had our eye on delivering the service and... not on what the service was. As we spent our money on the access side of the equation, we lost sight of the quality side of the equation."

The higher-education system that developed is "not a bad system," Carothers said. "But it's an expensive system."

And in light of current budget constraints, he said, education administrators "have given up trying to increase the total amount of money going to higher education. When you look at the difference between where we rank in per-taxpayer expenditures on higher education and what we spend on a per-student basis for higher education, that gap is so great that you know there's something wrong with the system itself."



*"OK... There's no show-of-hands for making a hard decision...
...How 'bout a show-of-hands to make a decision
to make a decision?..."*

Carothers said he believes "there's enough money there in higher education to do a pretty good job if we can make some hard decisions." But, he added, "I also believe that Minnesotans do not like to make hard decisions and are willing to spend a great deal of money not to make hard decisions."

Asked what he would do if he were named higher-education czar of Minnesota, Carothers replied:

"First of all, I'd create a comprehensive community-college system. There'd probably be about 30 comprehensive community colleges in the state. And they would have a combination of vocational and liberal arts and training functions..."

"I would take the State University System, and I would center it on the baccalaureate degree. I would try to create a culture in those institutions where doing high-quality bachelor's-level work was what people got rewarded for. And I'd try to control the inclination to do community-based economic-development activities and technical work and vocational training, except as those were related directly to a baccalaureate degree. I wouldn't say you couldn't have an associate degree in accounting as a part of your bachelor's-degree program in accounting, but it would be the bachelor's degree that would be the center."

Carothers said he would fold the Duluth and Morris campuses of

the University of Minnesota into the State University System and the Waseca and Crookston campuses of the University into the comprehensive community-college system.

And he would try, he said, to center the University on its role as a provider of professional and graduate education. "I would never eliminate the undergraduate program there, but would try to get the University centered on what it does uniquely best, which is the graduate and professional schools and the basic research."

In addition, Carothers said, he would seek to find a way to use the faculty members at other institutions in the research programs of the University so they would "have professional-development opportunities, but I'd do that on some kind of shared basis...I wouldn't try to create those research activities all over the state."

Given the institutional and individual attitudes in Minnesota academe, Carothers was asked, is any of that possible with three separate systems, or would it be necessary to have just one administrative entity?

Carothers replied: "If there were ways to create systems that networked rather than classified people by the organization they're in and by the kinds of work that they do, we could break down those barriers of academic class-consciousness... Where you put teams together with people from various systems to do common tasks, that

stuff goes away pretty quickly. People gain respect for each other."

Carothers said the concept of one strong central system presents major concerns for him. One is the creation of bureaucracies that "probably end up doing most of the same things" that now exist under separate systems, he said. The other is that "I really worry" about campus presidents not having a relationship with a board.

"There are good reasons why good schools have local boards that interact with the president and interact with the faculty," Carothers said. One of the problems with the proposal of Senate Majority Leader Roger Moe to merge the community colleges, technical colleges and state universities into a single system, he said, is that it provides a single board for too many schools.

As Carothers sees it, the appropriate step now is to merge community colleges and technical colleges and "mandate some mechanism for interaction" among that merged system and the state universities and University.

But Carothers likes one key part of the Moe approach. "It moves the agenda forward in terms of making the hard decisions. Right now, with the systems split the way they are, they are never going to make the hard decisions necessary to consolidate and close institutions."

A merger, he said, would create a board with "political smack and enough insulation" from individual institutions to do the job.

Carothers lamented the fact that "we have still not clearly told the people of the state what they get for their money. As long as we don't have a dialogue between the state as a whole and the higher-education institutions that says something about the standards of performance that we expect from graduates...then there is still the tendency to talk about quality only in generalities and rhetorical flourishes.

"We still want to pay for the numbers of people processed, not for the quality of education or the value added while they're in institutions. If we could create a funding mechanism, a budget mechanism that responded to quality, or at least balanced quality with access, we could make a significant improvement."

DFLers raise governor's tax bet \$201 million

House DFLers proposed raising \$477 million in new taxes, \$201 million more than Gov. Carlson had budgeted. The additional money would presumably come from taxes on incomes above \$80,000 and the sales tax. The DFL plan also envisions using \$300 million of the \$550 million budget reserve.

The Minnesota Chamber of Commerce voted to back out of an agreement on workers' compensation cuts that its president, Gerald Olson, had negotiated with Bernard Brommer, president of the Minnesota AFL-CIO. The chamber joined with other state business groups to seek still greater cuts.

The Roseville School Board voted to join with the St. Paul School District in a voluntary program of racial integration. The districts will seek state funding for a joint elementary school next year and a joint secondary school a year later.

Gov. Carlson said the state is backing the City of Duluth in its bid to get the Northwest Airlines Airbus jet maintenance base and its 1,000 jobs.

Metropolitan-Mount Sinai Hospital in Minneapolis said it will phase out its acute-care division and concentrate on its psychiatric and chemical-dependency section.

A legislative committee nominated DFLer James Manahan, Manakato, for the University of Minnesota Board of Regents from the 1st District, rejecting the recommendation of IR-dominated caucuses from that district that favored Bryan Neel, Rochester, a Republican.

South St. Paul voters turned down, by a 57 percent to 43 percent margin, a \$17.2 million bond issue to refurbish schools. **Claremont, Dodge Center and West Concord School Boards** approved plans for a new elementary school on a neutral site.

Thomas Horack, dean at Lakewood Community College, was named president of Normandale

Correction

The Feb. 26, 1991, *Minnesota Journal* incorrectly reported recycling options in the City of Milroy. The city has curbside pickup of recyclables.

Keeping Up

Reflective signs on Minnesota's Highway of Life.

Community College, and Patrick Johnson, acting president at Anoka-Ramsey Community College, was named president of that school. **Diane Wolfson**, St. Paul was appointed to the Metropolitan Council by Gov. Carlson. One earlier appointee turned out to live outside the district and a second choice decided he didn't have time for the job. **Frank Gallegos**, acting commissioner of human rights, became commissioner.

Mountain Lake Community Hospital is broke; Mountain Lake City Council set up a special account with \$75,000 from the city electrical utility account to cover current bills. **Swift County** and Benson City officials want to release ownership and financial responsibility of the local hospital.

Brown County Board approved a \$25,000 loan to set up a nonprofit economic-development corporation.

Little Falls Council ordered a study of rental-housing stock and vacancy rates.

The developer of a proposed shopping mall for downtown St. Peter has pulled out of the project.

Otter Tail County officials said they will not allow construction in

the county of a garbage-storage facility for the Fergus Falls incinerator's storage needs. **Goodhue County Board** decided to solicit volunteer sites for a landfill.

Lyon County Board voted to defer commercial recycling until state money becomes available. **Blue Earth County commissioners** decided against granting new permits for garbage haulers until a study is completed on incoming waste from the metropolitan area. **Cottonwood County** approved a recycling agreement with Murray and Pipestone Counties. **St. Peter City Council** passed a mandatory recycling program.

St. Louis County Board chose Hibbing as a site for an Iron Range law-enforcement center.

International Falls City Council passed a resolution opposing a moratorium on forest industry capital projects.

Technical Services for Electronics Inc. announced it will move its component-manufacturing business out of Marshall.

Minnesota's Health Department discovered contamination of Brooten's water supply.

Camden Education District Board

in southwestern Minnesota agreed to study merging with the Buffalo Ridge Education District.

Cannon Falls voters elected controversial Mayor Babe O'Gorman to a three-year seat on the City Council.

Hibbing City Council voted to raze the Androy Hotel despite pleas to preserve it for historical value.

St. Cloud City Council voted to drop participation in the area planning organization.

Brainerd School Board is exploring a merger of the Brainerd and Staples Technical Colleges.

A gambling casino opened on the Mille Lacs Indian Reservation near Princeton.

Remember?

George Rice in the Red Wing Republican-Eagle, April 10.

Does anyone now remember when gambling was a dirty word in the Midwest? When "casino" and "lottery" evoked visions of hell on earth among the God-fearing, and brought floods of righteous oratory from pulpit and legislative chamber? Today the land of the puritan and the home of the frugal has become the territory of the dealer and the pit boss.

Voting prerequisite

Seymour Handler, St. Louis Park, writes:

The vote-by-mail proposal of Secretary of State Joan Grove (*Minnesota Journal*, April 9) addresses issues of convenience to the voter, improved voter turnout and costs. Perhaps that is a function of her office. However, the presumption that improved voter turnout is a desirable end in itself can be debated.

I view voting as a privilege and responsibility of citizenship. Voting is a privilege not afforded to many people in the world... Americans take the freedom to vote for granted. If they choose not to take the small effort to vote, they abrogate their privilege to participate in gov-

Other Views

ernment.

If they don't vote, they should not complain about the accomplishments (or lack of) of elected officials... The decision not to vote implies that they accept whatever government has to offer...

Perhaps those who do not vote elect not to accept the responsibility of citizenship inherent in voting. Voters should be reasonably knowledgeable of the issues facing the electorate... Being informed takes work. The election process would be enhanced by a smaller voter turnout if those who vote un-

derstand the issues. Rather than providing rides for mentally incompetent nursing-home residents to the polls, the political parties would serve the public better if they would work as hard to educate the voter.

In this regard, some minimal form of voter knowledge of the issues might be an appropriate requirement to vote. For example, the critical issue of property taxation is currently a major item of debate. Could not a few basic questions implying knowledge of this issue be included in the ballot process, with the requirement of a few correct answers for that ballot to be counted? This action might indeed deter a few from voting, but at the same time, it might enhance the sense of responsibility that I view as vital for the privilege of voting.

N. Minnesota League to study service-sharing

The Northern Minnesota Citizens League, headquartered in Grand Rapids and related only in name and in mission to the organization that publishes this journal, is planning to study the potential for sharing services among local governments.

The organization's newsletter says the topic has been on the study list since 1982, but never quite made the cut. "It has often been difficult to view 'sharing' and 'cooperation' as concepts separate from 'consolidation'—the C word," says the newsletter. "It is at this level that the idea has traditionally broken down."

Now, however, budget constraints at the state and local levels make the topic particularly timely, and the prospect of reapportionment also lends "a feeling of urgency."

By way of invitation, the newsletter says, "If you have ever wondered about the economics of having school buses from two districts meet on the same road, separate fire departments in Bovey and

Take Note

In search of unique stuff, your editors discover the essential difference between lode and load.

Coleraine or adding onto public facilities when they are already under-utilized, or if you have tried to figure out the working relationship between townships or cities and the county...this might be the committee for you to join."

—Stephen Alnes.

The Prudential Insurance Company American will soon market a preferred-provider arrangement (PPO) called PruNetwork in the Twin Cities area. Until now, Prudential's major managed-care offering in this market was Carespan, the wrap-around HMO plan that it and Group Health offer jointly to 40,000 enrollees. (The plan provides full HMO benefits from Group Health clinics and affiliates and reduced coverage outside the network.)

Prudential's ability to market Carespan has run into obstacles in cases

where Group Health lacked clinic capacity to serve new groups or where national clients wanted a Twin Cities plan that was the same as their Prudential plan in other areas.

For PruNetwork, Prudential is assembling its own network of physicians and hospitals. Group Health's clinics will participate in that network in cases where capacity is available and where the benefit plan closely resembles Group Health's. At first, Prudential will offer the plan to self-insured firms. Both Prudential and Group Health say that they will continue to market the Carespan product and renew existing contracts.

—Allan Baumgarten.

Twenty-six cities in the metropolitan area and 41 municipalities outside the metropolitan area had 10 percent or more of their tax base reserved for tax-increment financing (TIF) purposes in 1990. In 1989, only 14 cities in the metro area and 26 outstate had more than 10 percent of their tax base captured in TIF districts. TIF allows cities to reserve certain property tax revenues exclusively to pay for land development costs.

In 1990 Chanhassen led the metro area, with more than 27 percent of its tax base captured in TIF districts; New Germany and Shakopee followed with 25.3 and 22.6 percent, respectively. Minneapolis had the largest absolute amount of

value captured in TIF districts at \$49.8 million; this amounts to 12.59 percent of its tax base

Part of the increase results from rising property values in the TIF districts and part from a legislative change, according to the Research Department of the House of Representatives. For taxes paid in 1990, the Legislature lowered the portion of a homestead's value that is taxable, which in turn, lowered the homesteads' share of the total tax base. Because relatively few homestead properties are in TIF districts, the remaining property accounts for a larger share of the total tax base.—Jody A. Hauer.

The Mayo Clinic in Rochester is one of 14 hospitals across the country that has contracted with the National Transplant Program of John Hancock Financial Services. Mayo will provide bone marrow, liver and kidney transplants to employees of John Hancock's health-plan clients. Through this arrangement, Mayo gets new patient referrals, while John Hancock and its clients get a negotiated fixed price and the quality of Mayo offers.

This is the first time that Mayo has made such arrangements with an insurer, though probably not the last. In 1990, Mayo physicians performed 83 kidney transplants, 55 liver transplants, and 38 bone marrow transplants. John Hancock will reimburse for 200 to 300 transplants of all kinds this year, and the number is growing. Mayo reports one-year survival rates of 90 percent for kidney transplants, 85 percent for liver, and 61 percent for bone marrow.—A.B.

Not well-directed

From the summary of *Measuring the Fiscal Condition of Cities in Minnesota, a report to the Minnesota Legislative Commission on Planning and Fiscal Policy*, by Helen L. Ladd, Duke University; Andrew Reschovsky, University of Wisconsin, and John Yinger, Syracuse University, March 1991.

Expenditure need and revenue-raising capacity together define a city's need-capacity gap, the summary measure of a city's fiscal condition and the appropriate target of state equalization formulas...

In general, Minnesota's largest and smallest cities are in relatively poor fiscal condition, large cities because of their high expenditure needs and small cities because of their relatively low revenue-raising capacity...

The need-capacity gap provides a logical standard by which to evaluate the equalizing impact of the Local Government Aid (LGA) formula. Specifically, we can ask whether Minnesota cities with higher need-capacity gaps receive more LGA. The answer to this

question is that 1988 LGA was not well directed to the cities that need the most help.

A well-designed equalizing formula would produce a pattern in which cities with high gaps received more aid. In fact, we find no discernible pattern and a very low correlation, 0.10, between the need-capacity gap and actual LGA. A perfect equalizing formula would have a correlation coefficient of 1.0. Although the LGA formula changed in 1989, strong hold-harmless provisions in the new formula imply that the current aid distribution is not very different from the distribution in 1988.

The principal explanation for this result is that the 1988 LGA formula defines a city's "need" as its actual historical spending...

The key implication...is that the current LGA program does not use a cost-effective formula for assisting Minnesota's neediest cities. Even though it tends to give more aid to cities with relatively low revenue-raising capacity, it fails to give more aid to cities with relatively high expenditure need.

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Citizens League Matters

April 23, 1991

News for Citizens League Members

Welcome new members

- John Benzian
- Anita Dinerstein
- Martha Hartfiel
- Saskia Jacobse
- Joel Jacobson
- Jan Morlock
- Thomas Osdoba
- Patricia Rickaby

Thank you recruiter

- James Dinerstein

Welcome new corporate members

- Lor & associates, inc.
- Schwarz, Strommen & Associates
- The Musicland Group

Thanks to renewing corporate members

- Henson & Efron
- Holmes & Graven
- International Dairy Queen
- Investment Advisers, Inc.
- Tom Newland Engineering
- Jostens, Inc.
- Junior League of Minneapolis

Board of Directors approves resolution of caucus report

Directors discuss upcoming study

At an April 5 meeting the Board of Directors gave final approval to the preparation and distribution of the report from the caucus committee.

The report is different from past League studies in a couple of ways. First, in addition to the recommendations approved by the Board, the report will contain a summary of other activities the League sponsored on the caucus topic. For instance, League members participated in what

more attention is needed in this area. It wanted to convey its sense that there may be overarching problems in the system that should be addressed. The report will describe the strengths and weaknesses of the ideas that merit additional study but will not endorse any of the proposed changes.

The Board also discussed the revised charge that is to guide the work of an upcoming study committee. The committee will

The report should describe how the caucus is an important avenue of political participation.

were dubbed "Speak Ups," small group discussions on the effectiveness of the caucus system, held in homes of 11 Citizens League members around the metropolitan region. Many more League members responded to questionnaires commenting on the advantages and disadvantages of the caucus system. Although the questionnaire did not constitute a scientific survey, it did provide a sample of what League members thought does and does not work in the existing caucus system.

Second, the final report will describe issues and ideas that merit additional study and discussion. The Board felt it was necessary to include in the report an extended discussion of how the caucus is an important avenue of political participation and why

look at the barriers to serving in elective office. According to the charge, the committee should determine whether the system in which people run for office contains barriers that prevent otherwise qualified candidates from seeking public office.

However, the Board directed the staff to further revise the charge. It was not satisfied with how the charge defines potential problems in the system. There was some disagreement over whether the committee should examine all elective offices or only select ones. Some Board members said a study of this sort requires a research process different from the traditional committee process. The Board will resume its discussion in May.

Recruitment drive set for new members

The League will launch an individual membership drive sometime in the next couple of weeks. Although much of the drive will take the form of a direct mail campaign, we hope current members will urge people whom they think ought to join to do so. If you'd like materials about League membership to send to someone please let us know.

As always with direct mail, some of you who are already members may get a letter asking you to join. If you do, please pass it on to someone — and accept our apologies for the inconvenience.

League Board member in charge of U of M finances

The University of Minnesota named **Bob Erickson** to the post of senior vice-president for administration and finance. Erickson is a former executive with Super Valu corporation and also is a director on the Citizens League Board. Erickson received training for his new position by chairing the Citizens League's Operations Committee in 1986 and 1987, and the Finance Committee in 1989 and 1990. He was elected to a three year term on the League Board of Directors in 1989, and served as Treasurer of the League during the 1989-90 year.

Congratulations Bob! The League wishes you well in your new position.

Mind Opener breakfasts to focus on fiscal disparities, environment and health

In April and May the Mind Opener breakfast meetings will feature a variety of topics commanding attention in the 1991 legislative session.

On Tuesday, April 23, **Rep. Charles Weaver**, IR-Champlin, and **Peter McLaughlin**, Hennepin

impact on the environment. This legislation was prompted by the work of a commission appointed by then-Gov. Perpich to study the environmental impacts of the packaging of consumer products.

On May 7 the Mind-Openers will feature **Sen. Linda**

*Become enlightened on legislative events.
Attend a Mind Opener breakfast.*

County commissioner, will debate the proposals to change the metropolitan area's tax-base sharing program, otherwise known as the Fiscal Disparities Act. Some legislators are expected to amend this year's omnibus tax bill with language to change tax-base sharing.

The following week, April 30, **Rep. Jean Wagenius**, DFL-Minneapolis, will speak on the proposals to deal with packaging materials and their

Berglin, DFL-Minneapolis and chair of the Senate Health and Human Services Committee. **Sen. Berglin** will provide an update on the progress of the Senate initiatives to provide health care coverage to all Minnesotans.

All Mind-Opener breakfasts are held at the Central Lutheran Church, 333 East 14th Street, Minneapolis, from 7:30 to 8:30 a.m. Call 338-0791 to make a reservation.

Premack Memorial to feature Frenzel

Former U.S. Rep. **Bill Frenzel** will highlight the fourteenth annual Premack Memorial Lecture scheduled for Monday, **April 22**. This annual event is designed to honor exemplary journalism in the memory of **Frank Premack** who worked for the *Minneapolis Tribune* from 1958 through 1975.

Congressman Frenzel will share his viewpoints on the reporting of public affairs over his 27 years in office. The event will be held in the Cowles Auditorium of the Humphrey Institute of Public Affairs at 7:30 p.m., concluding with a reception. It is open to the public.

Popular HMO report forthcoming

The League plans to prepare the second annual edition of a health maintenance organization (HMO) review. The review will cover HMO activity in Minnesota, highlighting key trends in HMO enrollment, hospital utilization, administrative arrangements and costs.

A major health care provider in the Twin Cities has placed an advance order for 1,000 copies of the 1991 HMO review. The review will be available by the end of May. Call 338-0791 to place an order.

Exploring medical transplant ethics

Group Health Inc. is sponsoring a conference on Wednesday, May 15 to engage the community in discussion of the issues and questions in the area of bone marrow transplant technology.

Dr. Daniel Callahan, a nationally renowned medical ethicist, will be the keynote speaker. The conference will be held at the Hyatt Regency Hotel from 8:30 a.m. to 2:00 p.m. Call 623-8579 for more information and to register.

Citizens League Calendar at a Glance: April 22 - May 3, 1991

Monday	Tuesday	Wednesday	Thursday	Friday
2 2 Program Committee, 5:00-6:30 p.m., MN Department of Health, Minneapolis	2 3 Mind Opener, 7:30-8:30 a.m., Central Lutheran Church, Mpls. Nominating Committee, noon-1:30 p.m., Thresher Square Building, Minneapolis	2 4 Minnesota Journal Committee, 5:00-8:00 p.m., Thresher Square Building, Minneapolis	2 5 Brown bag Board meeting, noon-2:00 p.m., Thresher Square Building, Minneapolis	2 6 Community Information Committee, 7:30-9:00 a.m., Tay Do Restaurant, St. Paul
2 9	3 0 Mind Opener, 7:30-8:30 a.m., Central Lutheran Church, Mpls.	May 1	2 Know someone who should be a Citizens League member? We'll send membership info. Call 338-0791.	3