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Cleveland's effort to buy quality in health care

P[illegible]ll Woods, *vice president of human resources, Nestle Enterprises, Inc., Cleveland, heads the Cleveland Health Action Council, a group instrumental in launching the community on a program to control health-care costs through measuring and rewarding high quality care —the "Buy Right" concept developed by Walter McClure at the Minneapolis-based Center for Policy Studies. Woods was the final speaker (Feb. 12) in a Citizens League series on health care. This article is adapted from his remarks.*

It is projected that in 1991 we will spend in excess of $750 billion on health care, about 13 percent of our GNP. My company's health-care costs went up 18 percent in 1988, 21 percent in 1989 and around 20 percent in 1990, taking us roughly from about $32 million to about $60 million in three years. While there may have been many fine medical advances made between 1988 and 1991, our employees are not twice as healthy although we are spending almost twice as much.

At its best, there is no question that American health care is the best in the world. At its worst, it is a sump hole. And we currently have no

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Cramer: Regional nonproperty tax needed if local aids are slashed

by Steve Cramer

Minnesota cities have fared poorly in recent state budgets. Since 1989, the local-government aid (LGA) program has shrunk from $376 million to $292 million for 1991, a 22 percent decline. In turn, municipal property taxes have risen over that time.

The withdrawal of state financial support and resulting property-tax increases come despite evidence that municipalities are hardly profligate spenders. According to figures compiled by the League of Minnesota Cities, municipal spending rose by just 1 percent between 1980 and 1989 after adjusting for inflation. Employment in city government fell by 7 percent during that time, while the number of state jobs rose by 11 percent.

The Carlson Administration has continued to target LGA for reduction. Already $22 million in state funds have been cut from approved 1991 budgets across Minnesota. Four million dollars are being slashed from various Minneapolis departments before the ink is even dry in the 1991 budget book.

The changes Minneapolis and other Minnesota cities are making to 1991 spending plans could be just the start. Much more dramatic LGA and Homestead/Agricultural Credit Aid (HACA) reductions will be considered as part of the 1991-93 biennial budget debate. The starting point for discussions is Gov. Carlson's budget proposal, which slashes LGA by 40 percent statewide and eliminates HACA.

It has become routine for state officials to reduce municipal aid, but the negative consequences of this policy are clear. Continuation of the trend toward higher property taxes along with diminished essential services are inevitable, despite the assertions by some that cities simply need to run a tighter ship.

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Andrew: Fiscal Disparities Law should recognize social disparity

by Mark Andrew

When I was a young boy, I was an admirer of Robin Hood, who stole from the rich to give to the poor. I identified with the mythical socialist and carried a kernel of his philosophy into public office.

It is no surprise, then, that I am a supporter of tax-revenue sharing policies of the government—federal revenue sharing, state block grants and local-government aids, and tax-base sharing among local taxing jurisdictions. In the long haul, both contributor and recipient benefit from such policies, provided they are not too administratively complicated.

The state Fiscal Disparities Law was, at its inception, a very good example of a revenue-sharing concept that was fair and in the interest of metropolitan collegiality. But in recent years, this benign tax-base sharing tool has degenerated into a money-gouging implement that has left heavily urbanized governments reeling.

The reason is that the law has not been reformed in its 20 years of existence, even though the urban landscape—wealth distribution, social problems and land values—bears little resemblance to the metropolitan area the law was originally supposed to assist.

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Manage roads before building more

Muddling Through

by Stephen Alnes

One of the key objections to building the sort of light-rail transit system proposed for the Twin Cities region is that too few people both live and work close to where the tracks would be.

So even if people were inclined to use transit instead of their cars, most of them would have to travel quite a distance between home and the rail at one end of the trip and between the rail and the job at the other end of the trip. That simple fact will discourage transit use. That is one of the reasons why the ridership projected for the proposed system is so low as to shake the whole idea.

On the other side, rail advocates contend that a rail system will, by its massive and indelible presence, influence the region's future development—that businesses will increasingly tend to locate near the rails to the extent that people will find using the system to be less hassle and less expensive than using their cars.

That is by no means the only argument of the rail believers. They also contend that rail will reduce congestion, conserve energy and reduce pollution. And it would do those things, but *only if* people use it in large numbers. If people continue to prefer cars over transit in anywhere near the proportions they do now, rail simply cannot deliver on its promises.

That is the central question of the light-rail debate: Will people use the system in sufficient numbers to justify the cost?

Given the region's past, current and continuing commitment to low-density development, I don't see how the answer can be anything but "no." And so it seems to me the best reason for building a rail system is the *possibility* that it could guide future development in the direction we want it to go.

But the odds on that bet are not good. We seem resolutely committed in this region to the belief that people can live anywhere they want to and work wherever they can find it, that businesses can locate wherever they choose and that government will provide the roads to accommodate us all, alone, in our private cars.

I'm not talking only about freeways, although we have been eager to add lanes and rebuild interchanges where traffic pressure is highest. I'm also talking about all those four-lane roads out in the suburbs with interchanges just begging for their first gasoline stations, 16-store shopping strips and small industrial "parks." Folks, we got roads we ain't even used yet.

I don't know whether rail transit would encourage more rational and somewhat denser development. But I think the record shows clearly that our kind of road deployment encourages wasteful and tacky sprawl.

What we ought to do—before we even think about building light rail—is quit building roads that open up ever more distant farmland to housing and retail development. Instead of building new roads and increasing the number of lanes on the old ones, we should be spending our scarce transportation dollars on maintaining what we have and managing it for greater efficiency. Perhaps in time, we could thus lower the odds against light rail while also creating a more rational urban shape.

The opinions expressed above are those of the writer and not necessarily of the Citizens League.

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Brommer backs worker comp business-labor panel

Bernard Brommer, president, Minnesota AFL-CIO, at Citizens League meeting Feb. 19.

The last decade, the debate that has occurred (on workers' compensation) I think has been tragic, just tragic for our state. I think we've wasted our resources. I think we have achieved a very high level of polarization between business and labor and, by extension, on other issues...

I also think that the Legislature is the wrong environment to talk about this issue, because it is completely engulfed. If you try to discuss the complex technical aspects of this system, that quickly becomes overpowered by political considerations, and you lose sight totally of what you were trying to achieve...Political considerations... crowd out any kind of analysis and technical discussion...

Unfortunately in this debate, I think when we hear the word "reform," what that means to a lot of folks, far too many people, in fact, is that the benefits that are paid to injured workers, the indemnity benefits particularly and I suspect, to some extent, the medical benefits will be diminished...

Does (the current) system work well? I think, on balance, yes, I think it does work, for most people. For some, however, the workers' compensation system is a nightmare. For some injured workers that get caught up in this system, with attorneys, with health-care providers, with insurance companies, with rehabilitation consultants, they get ground up, they get pulverized...to the point where they lose hope.

We've talked to injured workers where despair is the best way to describe their attitude about what's happened to them with regard to their work lives and their families ...And business and labor have got an obligation to try and fix that.

Ladies and gentlemen, that will not be fixed in the pressure-cooker environment of the Minnesota Legislature...I think we ought to have a statutory commission in this state that consists of business on one side of the table and labor on the other side of the table. Business and labor. The people that pay for this system and the people who are supposed to be the ones served by this system.

Now with all due respect to the attorneys in the audience, I don't want the attorneys in the room. With all due respect to the medical-care providers, don't want them in the room. With all due respect to the insurance companies, don't think they should be in the room. With all due respect to the rehabilitation providers, don't think they should be in the room. With all due respect to the administrators, don't think they should be in the room.

What I do think is that all of those interests that sort of (revolve) around the workers' compensation globe...that are now attached to this system, that make important contributions to the system, should serve to provide advice, expertise, information, explain how it is that they plug into the system, explain how they function, and then business and labor will try to hammer out whatever compromises will fix this system. And then those two principals in the workers' comp debate will make recommendations to the Legislature...

The probability of legislation in 1991...is good if it's the product of negotiations between business and labor...If there is an attempt by parties to this issue to force the issue down the throat of organized labor in this state, we will have another firestorm involving workers' comp in the 1991 session of the Legislature.

Son of comp reform

John Lennes, commissioner, Department of Labor and Industry, at Citizens League meeting Feb. 26.

(Workers' compensation) has been a very divisive topic in Minnesota. It has been asserted incorrectly that we are the most expensive state in the country. We are not. We are an expensive state. We are much more expensive than our surrounding states, which are actually a little bit below average in cost...Wisconsin...tends to be in the bottom third. The Dakotas are even lower than that...So we stand out very sharply by contrast...

We're probably someplace in the top 10...and we tend to run about 20 percent or so more expensive on average than the nation. The legislation we're looking at here would reduce costs, it's estimated... someplace in the order of 16 percent, which...puts us back at average...

The legislation that we will have before the Legislature this year is a lineal descendant, although not an identical clone, of legislation that was passed in one form or another three times in 1988 and 89 by the Legislature and also vetoed three times...Those bills were pretty humane, although fairly sweeping... What has been added to those bills ...are health care, little bit more judicial reform...and different oversight functions and some more user-friendly provisions...

We have provisions in there that would assure that people who are injured and off work do not, in fact, make more in benefits than they did when they were working. This tends to have significant impact on the lower-paying employers in the state and seems to be a fairly fundamental equity issue. We are changing the way total disabilities are calculated in many cases. The 1988 legislative auditor's report did point out that most people who are receiving long-term permanent, total disability benefits—these are the very expensive ones, the multimillion-dollar cases in some instances—are, more often than not, not hurt very badly. Rather, they are victims of the lack of a job...

Minnesota has right now the most generous escalator system...We would retain a significant one, drop down a little the maximum amount it could go up each year and delay the imposition of that escalator for a couple of years...It's a fairly significant cost savings...

Rehabilitation now...is mandatory in (many) case(s), and we think it would be appropriate that, if neither the employee nor the employer wants to involve a rehabilitation service, they shouldn't have to...

We found that workers' comp health-care costs are going up more rapidly than health-care costs generally...So we're proposing that we begin...accumulating a database...for providers so that we can identify people who are significantly out of step with the norm for workers' comp and either correct or discuss the matter with them. It will take a few years before that can take hold, obviously...

We do have a provision for a kind of joint employee-employer oversight of the system...I think there's unity in the various communities on that. Legislators would like to see that as well...Most legislators I've talked to look back to...when workers' comp started becoming a legislative issue and ceased to be kind of a collective bargaining kind of a topic and wonder if there's any possible way we could get it back there again, because frankly they don't like having to deal with this subject...

Carlson budget draws both praise and protest

On Balance

Minnesota editors find there is, too, such a word as cant.

Hibbing Tribune agreed (Feb. 21) with a critic who called Gov. Carlson's budget a "shift and shaft" proposal. "It shifts the burden of balancing the state budget to rural homeowners, and then it shafts them." It said Hibbing property taxes will rise 112 percent if no services are cut.

St. Cloud Times said (Feb. 22) that Gov. Carlson's budget has its flaws but will "jump-start the restructuring that's long been needed in the financial relationship between state and local governments." The budget is a "welcome shot of reality."

Rochester Post-Bulletin said (Feb. 22) Gov. Carlson "made an honest and decisive attempt to address both the current budget deficit and some long-term shortcomings of the state's taxing system."

Brainerd Dispatch said (Feb. 22) Gov. Carlson is right in saying it's time for state government to quit spending more than Minnesotans can afford. It added that local governments can control how much property taxes have to rise to compensate for cuts in state aid.

Star Tribune said (Feb. 21) Gov. Carlson and his team "generally showed remarkable skill as budgetary surgeons." It added the "spending priorities appear about right" except that Carlson "insists on pumping more money into elementary and secondary education."

Worthington Globe said (Feb. 19) raising the state income or corporate taxes would be more fair than a cut in local-government aid that will cause property taxes to skyrocket.

Mankato Free Press said (Feb. 23) of the budget, "We fear a return to a system in which property-poor rural areas have no way to supply basic government services without overtaxing, while property-rich cities and suburbs can easily supply services with a minimal property-tax burden."

International Falls Journal said (Feb. 22) the budget "doesn't pay proper attention to the unique problems northern Minnesota communities face."

Brainerd Dispatch supported (Feb. 19) the proposal of Community College Chancellor Gerald Christenson to merge the community colleges and technical colleges. "It seems to us money could be saved."

WJON's Andy Hilger said (Feb. 14) the decision to close the University of Minnesota Waseca campus is "well researched, based on some hard facts and...justified."

New Ulm Journal said (Feb. 13) that damage to the agricultural community from closing the Waseca campus "will far outweigh the $6.4 million the U might gain for some other higher-profile, more-prestigious educational program."

Free Press said (Feb. 21) the University of Minnesota's Waseca branch would fit well with the Technical College System.

St. Cloud Times said (Feb. 21) Gov. Carlson owes higher education more than "vague advice to tighten the belt. Higher education's belt is already on the last notch."

International Falls Journal said (Feb. 25) financial incentives already are leading school districts to cooperate and combine, and a state-mandated consolidation program is not needed.

Hibbing Tribune said (Feb. 20) the state should have treatment programs for compulsive gamblers.

Duluth News-Tribune said (Feb. 26) Marvin Windows, Warroad, is "acting badly" in stating that it will expand operations outside the state because of Minnesota's environmental laws. It said no company "should try to hold the jobs it provides hostage in encouraging lax enforcement of the law." **Free Press** said (Feb. 27) it is "surprising and disappointing to see Gov. Arne Carlson attacking the Minnesota Pollution Control Agency for enforcing the law" in the Marvin Windows case. It said his message seems to be that "it's OK to pollute in Minnesota as long as you're employing people."

St. Cloud Times said (Feb. 17) the proposal of Rep. Phyllis Kahn, DFL-Minneapolis, to consolidate the state's 87 counties into 10 would be "devastating." It said saving money by reducing the size of the Legislature "makes a lot more sense." **Princeton Union-Eagle's** Elmer L. Andersen said (Feb. 21) it might have been more appropriate for Kahn to look at improvements in the Legislature.

Budget tough on colleges and local government

Keeping Up

Facts to go from Minnesota's public-policy events deli.

Gov. Carlson proposed a $15.1 billion budget for the two years beginning July 1, up 3.5 percent over the current biennium. He would increase taxes by about $274 million through taxes on higher incomes, an increase of 24 cents a pack on cigarets, an increase in taxes on liquor, wine and beer, and a surcharge on motorcycle and moped licenses.

Local-government aids would be cut; local officials said that would mean property-tax hikes. The governor proposed a revision in property-tax rates that would raise the taxes on lower-value homes and cut them on higher-value homes and reduce taxes on commercial/industrial property.

Colleges and universities appropriations would be cut under the proposed budget and tuitions would rise. The governor would create a commission to study possible closing or consolidation of higher-education institutions. Elementary and secondary education would get a 7.1 percent increase, but most would go to fund some 70,000 new students entering schools in the next two years.

Gov. Carlson proposed a three-year pay freeze for legislators, judges and constitutional officers, including himself. He also proposed that state employees assume a greater share of funding their pensions; a union official said that would amount to a pay cut of 1 to 3 percent.

Marvin Windows, Warroad, announced it will build a window factory in Tennessee. The company had said earlier it would not expand in Minnesota because of its concerns about a Minnesota law that it said holds company officials potentially liable for felony charges for pollution violations. The company agreed to pay a $2 million civil penalty for improperly storing and disposing of toxic chemical waste.

Gov. Carlson proposed a revision of the state's workers' compensation law that would cut employers' premium costs about 16 percent.

The Higher Education Coordinating Board recommended that Metropolitan State University become a state university alternative to the University of Minnesota in the Twin Cities and that Metro State make lower-division programs available by merging or colocating with community or technical colleges.

A bill to transfer the University of Minnesota's Waseca branch to the Technical College System was introduced by Rep. Richard Anderson, IR-Waseca, to take effect if the University goes ahead with plans to shut down the campus.

Michael Ehrlichmann, chair of the Regional Transit Board, said light-rail transit should be built first in the I-35W corridor south of downtown Minneapolis rather than on a line between St. Paul and Minneapolis downtowns. He told a legislative committee the federal government might pay for 50 percent of the project on I-35W.

The Metropolitan Council is working on a plan that would use abandoned mining pits on the Mesabi Iron Range as water reservoirs to augment the flow in the Mississippi River in times of drouth.

Josephine Nunn, former mayor of Champlin and former Metropolitan Council member, was named by the Metropolitan Council as regional citizen of the year. **Robert Dunn,** Princeton, former state legislator, was appointed chair of the Environmental Quality Board.

Brainerd Police Chief Ralph Hitchens resigned his office while denying allegations of corruption and mismanagment.

St. Paul Fire Chief Steve Conroy filed a libel suit seeking damages of more than $50,000 against the *Star Tribune,* its parent firm and two reporters. The suit contends the newspapers published false and defamatory articles linking Conroy to arson. The series of articles in 1989 won a Pulitzer Prize.

Rosemount voters approved upgrading an auditorium and building a banquet hall but rejected an ice arena. **Voters** in Austin approved a $19 million school bond for renovations and school construction.

Roseville and St. Paul School Districts would share an elementary school and a secondary school in an effort to achieve desegregation voluntarily under a plan suggested by a steering committee. If the school boards approve, they would seek $6 million from the Legislature to operate the program four years.

Cosmos School Board passed a resolution to participate in a joint facilities study with the Atwater and Grove City Districts. **Blue Earth,** Delavan, Elmore and Winnebago School Districts are exploring ways the districts might be joined.

United HealthCare Corp. announced expansion plans and up to an additional 184 workers for its International Falls facility. **Toro Co.** is closing its Willmar plant and laying off its 59 employees. **P[illegible]-Cola** Bottling Co. of Rochest[illegible]an closing its bottling line and laying off 19 employees.

International Falls approved two requests from Boise Cascade, clearing the way for that company's proposed $20 million warehouse expansion. **Rochester** City Council approved a sweeping zoning change allowing Mayo Clinic to proceed with long-range planning of additions.

Bird Island City Council approved a system of volume-based fees for garbage collection.

Learning hate

From St. Paul Mayor Jim Scheibel's State of the City Address.

We must defend the diversity of backgrounds, races, cultures and beliefs, and ways of life that create our community...We have seen the cowardly resort to cross burnings and the vandalizing of a kosher kitchen. A petition effort was started to take from our gay citizens the most basic of human rights—a home, a job and public services. And problems in the skyways have become a signal of the needs of disenfranchised youth and the wounds of racism. We cannot afford to have our children learn hate and fear from their elders. We cannot afford to let the misguided, violent and fearful few tear apart our community.

Proposals to feed the hungry

From Hunger Hurts, *a report of the Urban Coalition and Minnesota Food Bank Network, February 1991.*

Nearly 240,000 low-income people—about one in 18 Minnesotans—made about 1,200,000 visits to food shelves last year to get food (usually enough for 3-5 days) for themselves or their families...

None of these recommendations is "the answer," but all of them are necessary if we are to stop the hurt that is hunger.

- Increase the amount of money people have to buy food. Increase public-assistance grants to at least the poverty level. Make decent, affordable housing a right for all Minnesotans by the year 2000. Ensure access to quality, comprehensive health care. Increase the take-home pay of low-income households. Create more jobs that pay an adequate family wage. Raise the state minimum wage.

- Expand and improve public food programs. Serve all eligible Women, Infants and Children (WIC) participants. Expand the School Breakfast Program to all schools statewide. Increase state reimbursement to school food programs. Increase state support of congregate dining and home-delivered meals. Expand the federal food stamp program. Continue food stamp outreach efforts.

- Raise adequate revenue to fund programs for basic human needs by making Minnesota's tax system more progressive.

- Individuals, congregations and businesses must continue to support food shelves with time, food, and especially money.

Andrew

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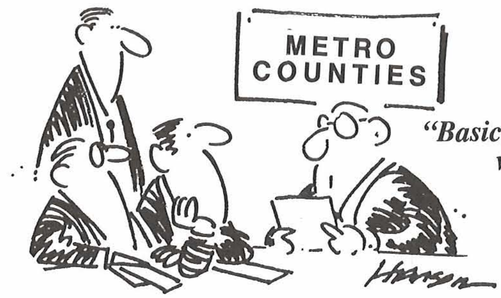
This lack of reform means that large and property-rich governments, such as Hennepin County, are being forced to cough up disproportionate shares of their tax bases to subsidize communities with less commercial growth, regardless of each community's "social disparity." Problem-plagued but property-rich governments like Hennepin's are consequently being forced to let their own problems fester while more and more of their own taxes get exported to slower-growth but crisis-free communities.

The quick fix to this unfair and worsening situation is to simply limit the amount of money a taxing jurisdiction must contribute to the fiscal-disparities pool. The Hennepin County Board has approved such a concept, which would still allow the current $291 million collection-and-distribution scheme to continue.

But simply "capping" the program would not properly reform the law. The biggest long-term reform that is needed of Fiscal Disparities is to expand the criteria for distribution of the funds to factors other than the commercial/industrial tax base, such as social spending demand.

The current system of considering only commercial property valuations is only looking at one side of the ledger. In the past decade, while inflation and soaring development caused property value expansion, drastic social ills had been incubating in our otherwise idyllic urban setting.



"Basically, what it says is..., we should all share in Hennepin County's Fiscal Dispare..."

What was once considered an urban Mecca of livability, Hennepin County today claims 24 percent of the state's population but is home to 48 percent of the state's murders, 68 percent of the state's armed robberies, 46 percent of the auto thefts, 41 percent of the verified rapes, 60 percent of the AIDS cases, and double- and triple-digit growth in virtually every social program from mental health to child care.

In some programs, demand for services is up more than 1,000 percent in the past decade and still growing. That is a "social disparity" that is not factored into the distribution of our tax dollars to the pastoral setting of North Oaks and Sunfish Lake.

In addition to the social inequity of hosting much of the state's criminal and social-service growth, this law also allows inflation and not "real" growth to swell the amounts sent to other jurisdictions. Last year 62 percent of the total growth in fiscal disparities was from inflation in the values of older properties fully developed before 1971. This directly contravenes the law's first goal—to share growth "without removing any resources which local governments already have." On this point alone, the Legislature should take remedial action. And if it does not, the county should pursue relief through the courts.

The program is riddled with other inconsistencies. While this is a tax-base sharing tool to assist development-poor communities, the law actually rewards some cities for discouraging development within their own borders. Why should they, with a no-strings-attached windfall coming their way? For cities that are developing, the program diverts tax dollars needed for infrastructure and increased services required to support the growth and relinquishes it to those with no such demand.

Even without Fiscal Disparities, state tax policy already taxes a lopsided chunk of Hennepin taxpayers' income, business and sales, road and gas taxes. For every $1 Hennepin taxpayers send to the state, we receive about 50 cents in return. These factors make it impossible, especially with state-forced levy limits atop ever-new mandates, to raise the funds necessary to meet our own burgeoning demands.

For the first time, Hennepin is putting its own growing needs on hold while it opens the spigot to rush its resources to other cities and counties. In 1991, 19 percent of Anoka County property valuations will be provided with the compliments of Hennepin County taxpayers.

This is no longer an equity relationship of taking from the rich to give to the poor. And it is certainly not collegial. Fiscal Disparities has degenerated into a kind of economic hooliganism whereby the neighborhood merchant is routinely visited by the local toughs and forced to empty the cash till to finance neighborhood security.

Under Fiscal Disparities, Hennepin County is being dragooned in the name of metro fairness into exporting its own economic lifeblood while importing the most growth in state criminal and social-service costs. If this is what is meant by fairness, then it is time we ask the state for a little less of it.

Mark Andrew represents the Seventh District on the Hennepin County Board.

Challenge for libraries

From the Citizens League report New Regional Approaches to Library Services: Long Overdue, *Feb. 25, 1991.*

Spending on libraries in the region is relatively high, and is largely financed by local taxes. Hennepin County Library's per capita spending (in 1989) ranked ninth among libraries serving the 53 areas with populations of between 500,000 and 999,999. Among libraries serving the 94 areas with population of between 350,000 and 499,999, Minneapolis ranked first in per capita spending; St. Paul ranked ninth.

The challenge for the future of libraries and for the future economy of the metropolitan area is to find new ways to share resources and provide services effectively. We recommend developing and implementing regional solutions to the future needs of the library systems in the region. We propose:

- Developing a regional reference center, with a centralized reference collection and staff.
- Developing a regional materials depository to house little-used materials, special collections and archives. Removing such materials from central libraries would free up a good deal of space to better display the rest of the collection, to strengthen collections that specifically serve the downtown communities, to display books and other resources in innovative ways and to provide meeting space for activities that would be attracted to central libraries.
- Developing a regional plan for interconnectivity of library computer systems. Given that the demand for library services is expected to continue to increase, it is important that libraries continue to use technology to improve service and achieve efficiencies.
- Developing a regional structure that is capable of pursuing these initiatives. We recommend strengthening MELSA (Metropolitan Library Service Agency) and authorizing it to contract with member libraries to operate regional services...MELSA should have regional taxing authority. We would see new regional services funded with new funds, not through reallocation of current funds of the libraries.
- Strengthening branch library operations to serve users.

The case has not been made yet for significant investment in new or renovated central libraries that would be based on old models and programs. We recommend:

- That the region's library systems should not make major investments in new or renovated central libraries at this time. They should first review the programs of their systems and examine the potential for operating certain functions on a regional level.
- Libraries need to emphasize building supportive constituencies that will provide financial assistance and political advocacy.

Cramer

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Cities and all levels of government can and should attempt to do "more with less" and prioritize areas of service delivery. Many changes along these lines have already been made in response to past aid cuts. More are in store, given the period of fiscal austerity that lies ahead.

In Minneapolis, department heads are routinely directed to propose spending reductions for the City Council and mayor to consider. For 1992, they will identify 6 percent of their budgets for possible elimination. Department heads are also given incentives for productivity improvements, greater employee involvement and enhanced management quality as important strategies to help deal with funding reductions.

Finally, the Budget Office and Planning Department have been directed to develop far-ranging proposals to restructure how services are provided and to focus resources on the most critical areas of municipal concern. The Downtown Council and other business groups have been invited to help.

But these efforts will not enable Minneapolis to survive the magnitude of aid and property-tax relief cuts that have been discussed for the 1991-93 biennium. Economizing, spending "smarter" and eliminating nonessential expenditures will not be enough if, for example, the city's LGA is reduced by 45 percent, the loss Minneapolis would face, according to the best estimates of the effect of the governor's budget concepts.

A cut of this magnitude would cost the city $30 million, or $1 of every $8 now spent for municipal services. This would be on top of the loss of $23 million in HACA payments, which would automatically increase the tax burden facing all property owners in Minneapolis.

Some, but not all, of these lost aid dollars would be recovered through higher property taxes. Inasmuch as more than three-fourths of the city's tax-supported budget is devoted to police, fire, public works, parks and libraries, these core services would not be spared.

Deep cuts in LGA and/or HACA, such as those proposed by the Carlson Administration, would be

a bitter pill to swallow for other reasons. Significant state revenues are raised due to the economic activity in cities—far more than is returned through LGA. And unlike more favored areas of state spending, every Minnesotan benefits directly from municipal services. Why are cities and their residents suddenly less deserving of state assistance?

Still, if less state funding for municipal services and taxpayers is to be a reality, then a workable solution must be found that prevents the double whammy of higher property taxes and reduced essential services. There are two key elements to this solution.

● First, a slimmed-down and revamped municipal-aid program must be maintained. Some state spending for city services is essential if large parts of Greater Minnesota are to survive and if the special problems of the inner city, which the governor and most legislators say they don't want to ignore, are to be addressed. A formula must be adopted that compensates for two factors: municipal overburden and low tax-base wealth. This is especially true if HACA is to be reduced or eliminated.

But a slimmed-down state-aid program, while better than nothing, won't be sufficient to meet the legitimate revenue needs of Minneapolis and many other metro and larger outstate cities. Without something else from the state, we can expect large property tax increases on top of already too-high effective tax rates for some categories of real estate and deep cuts in core municipal services.

● The "something else" for the metro area and larger outstate cities is a nonproperty tax revenue source implemented by the state on a regional basis. Possible sources include the sales tax or a 1 percent payroll tax.

A regional approach to broadening the revenue base of Minnesota's cities—as opposed to a strictly local-option tax—is important to ensure that the central cities and regional centers in Greater Minnesota don't become "tax islands." It is also important to make sure cities that have significant shopping and employment concentrations can't opt for a purely local tax and then use that revenue virtually to eliminate their municipal levy, thereby greatly increasing the property-tax disparity with surrounding communities.

Ideally, the combination of state aid and funds from a new revenue source would be sufficient to support needed municipal services and permit cities to reduce the current heavy property-tax burden on commercial/industrial, nonhomestead residential property and tier-three homesteads.

Given Minnesota's precarious fiscal situation, this may be the only way to make concrete progress in reducing the 5 percent-plus effective tax rate on business, the 3 percent-plus rate on apartments, etc.

In fact, without broadening the revenue sources funding city services, and assuming significant LGA and/or HACA cuts, these effective tax rates are certain to go in the wrong direction.

Every crisis presents opportunities. In the case of the current state budget crisis and the imminent restructuring of state-city fiscal relations, the opportunity is to create a policy that provides adequate revenue for critical municipal services while avoiding property taxes that go through the roof. This will require maintenance of some direct state fiscal support along with a willingness to broaden the access of cities to nonproperty tax revenues on a regional basis. The Carlson proposal hints at both of these elements, but a stronger financial commitment and more details are required.

The 1969 Citizens League report that first recommended the tax-base sharing concept we now know as Fiscal Disparities also contained a less-well-known proposal. "In summary, we believe all local government will be needing additional nonproperty revenue to ease, and hopefully stop, continued increases in property-tax rates. But it is urgent that the nonproperty tax funds be made available now to fund special local services in communities facing the critical urban problems."

Sometimes it simply takes time for a good idea to find its day in the sun.

Steve Cramer represents the Eleventh Ward on the Minneapolis City Council and is majority leader.

Focusing on policy

Mary E. Anderson, chair, Metropolitan Council, in her State of the Region Address Feb. 20.

I hope to keep the (Metropolitan) Council focused on the big public-policy questions, especially from a regional and long-range viewpoint ...We'll need to be a more proactive player and less a reactor to emerging siting issues—and other issues. We have lots of resources we can bring to the table—a regional governance system, legislative authority, good research, good ideas and good communications.

The Council has to be clear that it is not satisified with a spectator's role while a special commission or task force develops a solution with only token involvement by the Council. The Council should be the decision-maker for regional issues...

We need to develop solutions that deal with the whole problem—solutions that have considered who's affected by a decision and how, as well as our best professional or technical judgment. Siting controversial facilities is a bigger question than where a facility should be located. It has to do with the quality of the solution itself—whether it best meets a need, whether it results in a fair outcome and whether it is a new, creative approach.

Cleveland

Continued from Page 1

means of rewarding the best and punishing the worst out of business because we do not have a viable market.

How have we rewarded health care providers? We have rewarded them per unit of service provided. We pay physicians per procedure; we pay hospitals per diem, per x-ray, per lab test, and so on. Who makes out best under that kind of reward system? The clear answer is: the high-volume producer of units of service.

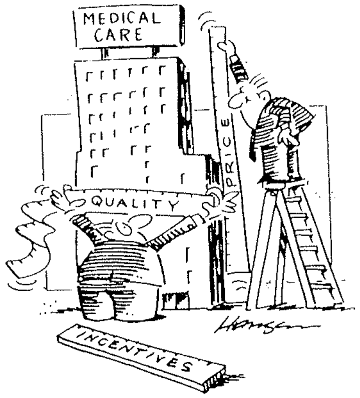
The more important question is who is actively punished by that kind of reimbursement or reward system? And the answer to that is the low-volume producer of units of service, which includes among its ranks the most effective and efficient practitioners of health care—conservative medicine, practiced as it should be. In other words, we have a reward system that actively punishes effectiveness and efficiency in health care delivery.

As a result, we have gotten exactly what we've rewarded, which are sky-rocketing costs that derive from high quantity delivery styles and large amounts of over-service, which inflates the entire system in terms of volume.

Physicians promulgate ever-greater numbers of interventions —surgical, therapeutic and diagnostic—invasive in many cases, which present significant morbidity/mortality risk to patients, and which in the estimates of its own leadership can be from 20 to 30 percent inappropriate and unnecessary.

It is estimated that 20 to 30 percent of all angioplasties, coronary bypass operations, carotid endarterectomies, pacemaker implantations, hysterectomies, prostatectomies and C-sections are inappropriate and unnecessary. We are talking about procedures that cost between $9,000 and $30,000 apiece.

As a business person, I tend to see an enormous opportunity in that. If we could make health care in the U.S. 10 percent more efficient than it is, we would save $75 billion annually. That is well over the amount we would need to underwrite coverage for the uninsured



Measuring up...

and underinsured in this country and return something to business besides.

How do you make an inefficient or ineffective system of delivering services more productive? I think you do it by rewarding productivity. I don't know of any organization that has ever been controlled or regulated or audited into a higher level of efficiency. But many have been managed into efficiency with well-designed, properly implemented incentives. This is exactly what market reform is.

What this means is, of course, that a way must be found to measure quality responsibly. We must measure it in terms not of structure and process, which is to say credentialing, but rather in terms of health-care outcomes for patients. To put it simply, we need to pay health-care providers not for what they do *to* people, but for what they do *for* people.

We call our program Cleveland Health Quality Choice. Cleveland has many of the problems of a large, mature urban area. We have world-class medicine for those who can afford it. We have a high level of medical indigency and uncompensated care. We have 47 hospitals in a 1.8 million urban area, which is probably about 5,000 beds excess. We also have a surplus of physicians.

To a business person, that represents an enormous opportunity. With us controlling, in effect, the short-supply item in the chain, which is the patient, we believe that we could implement a successful market reform by simply galvanizing buyers together in order to lead a market reform effort.

I am the president of a group called the Health Action Council, comprised of benefit and human-resources people from about 150 local companies. We approached a group called Cleveland Tomorrow, which is the CEOs of the 50 largest companies in town. We proposed a market strategy to those CEOs, and they very quickly became enthused about the idea and adopted it and supported it as a reform strategy.

And then the CEOs of the 11 largest companies in the group—these are all basically the largest revenue and employment companies in town—combined with a group called the Council of Smaller Enterprises, which is a small-business coalition that combines to buy its coverage through Blue Cross. It contains about 7,000 local small businesses. Together we formed a 12-member purchasers' leadership group, representing in excess of 350,000 covered lives.

With that, we approached the hospital CEOs and the hospital association and requested that they conduct a community-wide quality measurement study with the understanding that business would use the results to "buy for quality." The hospitals had been interested in a quality study for some time, and they were very attracted, I think, to a quality-based solution rather than strictly a price-shopping-based solution. So they unanimously voted their support.

We approached jointly the Cleveland Academy of Medicine, which represents 4,000 local physicians, and proposed our approach to them. Although I left that meeting without a hope that they would buy in, they voted to become full partners in the effort.

The hospitals agreed to develop uniform systems of measurement that will enable us to compare hospitals to hospitals. One system was a patient-evaluation-of-care instrument, which really is a systematic way of gathering patient perceptions of the quality of care—not just soft beds and nice treatment, but physician interaction, diagnostic interviews and that kind of thing.

More important is a clinically based patient-outcome measurement system. This system will be implemented in the hospitals to extract key clinical findings from patient charts in order to determine clinical aspects of the inpatient experience.

These data from each hospital will be shipped to a central source and there consolidated, analyzed, fed back to the hospitals to see how they compared to the norm in each line of care for the hospitals in the city, and then ultimately sourced to us, the purchasers, who will begin to use those data to make buying decisions.

We are now in Phase 2, which is the implementing and licensing of the systems and the loading of data. As of January 1 next year, we will be making buying decisions based on that. In the interim, companies will have designed incentive benefits systems to put in place that will provide strong financial incentives to our employees to select the high quality, cost-efficient hospitals.

That brings you up to where we are. We haven't measured a thing yet; we haven't saved a dime. But we have forged a very powerful spirit of collaboration. We do have an increasing conviction among physicians, among hospitals and among payers, that we are putting into place something that will enable us to realize substantive productivity gain in the local health-care delivery system, along with quality improvement.

We on the employer side have also agreed to do two things. First, we must risk-adjust the data from hospital to hospital for severity; some hospitals get sicker patients than others, and you need to adjust for that. Second, we have pledged to contribute a major portion of whatever savings we can measure to fund some kind of community access pool for the uninsured and underinsured. We are convinced it must be done because if we don't solve the health-care coverage problem we have in our city, then we're convinced we're going to see such an unraveling of the social fabric that we're not going to have a market left to recruit from or sell in.

It's not a matter of corporate philanthropy; it's a matter of enlightened corporate self-interest.

Budget proposal aside, property taxes would rise

What Gov. Carlson's proposed state budget would do to property taxes is an extremely complex question—largely because Minnesota's state-local finance system is so complicated. We'll be hearing and reading a great deal about this issue over the next few months. As we do, several things will be worth remembering.

One—it goes almost without saying—is that this issue fairly oozes partisan politics. Another is that any clear, straightforward analysis is probably incomplete, and therefore wrong, or at least misleading. For example, consider the complexity surrounding a point that John Gunyou, Carlson's able new commissioner of finance, made the other day to a Citizens League group.

The governor's budget-balancing plan includes cutting city and county aid by $539 million in 1992. That sounds as if it would push property taxes up steeply. But it could have a far milder impact, Gunyou contended. The local governments could absorb half of this aid reduction by cutting their spending a relatively modest 6 percent, he said, and Carlson's plan to increase property-tax relief payments to low-income homeowners would make up for another 35 percent. That would leave only a small increase—about $30 per home, on average.

But there's more to the story, as Gunyou freely concedes. For one thing, Gov. Carlson also wants to reform the structure of the property tax, replacing the graduated residential tax rates of 1 to 3 percent with a flat 2 percent rate—and that might cost as much as $281 per home, on average. Another variation would spread the changes over several years, thereby lessening the pain of a tax increase.

Probably even more important is the backdrop: Under current law—without any of the changes the governor suggests, or the Legislature will ultimately pass—property taxes payable in 1992 would rise 13 to 15 percent statewide. That's a result of the *last* Legislature's work.—*Pete Vanderpoel.*

Take Note

Your opportunity to revel in revealed relevance.

Curt Johnson contended recently (*Minnesota Journal*, Jan. 29) that Minnesota's postsecondary system is too big. He said that if "California were committed to Minnesota-style access it would have to create at least 150 more two year colleges." That's pretty astonishing. But let's let some numbers tell more of the story.

Only three cities in Greater Minnesota with populations above 5,000 do not have some kind of postsecondary institution within 20 miles (Litchfield, Little Falls, and Fairmont). And nine communities with populations under 5,000 have post-secondary institutions.

Of the 55 community and technical colleges that make up Minnesota's lower-division system, 25 are within 10 miles of another lower-division campus. All but two of the rest are within 60 miles of each other. That means nearly all the residents in the state have less than a half-hour drive to a lower-division campus—or less than the time it takes to drive from Burnsville to the University of Minnesota. The farthest distance between campuses is the 100 miles that separate Rainy River Community College in International Falls from Hibbing Technical College—that's less than an hour drive to one or the other.—*Phil Jenni.*

Minnesota four-year postsecondary schools are more likely to retain students who work 20 or fewer hours per week, live on campus and participate in campus activities, among other things, according to data collected by the House Research Department on high school graduates from 1987. Students who were retained also were more likely to take a college preparatory curriculum in high school, rank in the top 10 percent of their high school class or attend a high school with excellent curriculum opportunities.

However, what this means for the individual postsecondary schools isn't clear. Schools like the Twin Cities campus of the University of Minnesota, where the percentages of freshmen who lived off campus, who were not involved with campus activities or who had a job outside school, were high relative to other schools, would seem to have a greater likelihood of candidates dropping out. Just the opposite is the case. The percentage of 1987 freshmen retained by the Twin Cities campus after one and two years was greater than at either the Duluth or Morris campuses or the state universities, in the House Research survey.

Part of the explanation may lie in the profile of freshmen at the Twin Cities campus. A far higher percentage of the freshmen interviewed there attended a high school with excellent curriculum and took higher-level math courses than freshmen at the other four-year institutions. Both of those attributes match those of students more likely to stay in college. Another part of the answer may lie in the nature of the institution: the University's Twin Cities campus is not one where many students attend for two years with the intention of transferring elsewhere.—*Jody A. Hauer.*

John Lennes, who heads the Department of Labor and Industry, is a veteran of the ongoing battle over the workers' compensation laws. In unveiling the administration's new proposal for reform, he told a recent Citizens League meeting, "There probably is no more certain recipe for immortality in the world than to be delegated to the job of fixing workers' comp. It never is actually fixed."
—*Stephen Alnes.*

Hennepin County on the same day recently put out a pair of interestingly conflicting signals.

John Derus, county board chairman, told a Minnesota Senate committee in the morning that if the Legislature won't levy a 1-cent sales tax to pay for light rail transit (LRT), it should at least "allow the county to raise taxes for it. We can get it going—give us your blessing," Derus said, arguing for an LRT line between St. Paul and Minneapolis now estimated to cost about $600 million.

Later, the county board issued a press release on its bill that would freeze—and, in succeeding years, shrink—the proportion of commercial and industrial property-tax base that relatively tax-rich metropolitan communities share with their poorer neighbors. The county's reasoning: It is a net contributor, but since it has "the most serious crime and social problems," it should share a smaller part of its growth in commercial-industrial tax base.

So—Hennepin County has the wherewithall, somehow, to build a $600-million rail line, but not to share as much growth in tax base, without harming its ability to attack crime and social problems?
—*P.V.*

Sixty-three percent of women aged 16 to 64 were in the state's labor force in 1990, up from 50 percent in 1975, according to the Department of Jobs and Training as reported by the Legislative Commission on the Economic Status of Women. Male participation in the labor force is approximately 81 percent.

Women in 1990 made up 44 percent of the labor force. By 2000, the "gap between total number of women and men in the labor force will nearly disappear."—*S.A.*

Minnesota Journal
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Citizens League Matters

March 12, 1991

News for Citizens League Members

Welcome new members

- Mike Berthelsen
- Cathy Borbas
- Jacqueline Hanson
- Bob Isaacson
- William Kling
- Stella Lundquist
- Jim Macaulay
- Ethel McConaghy
- Mark Mizen
- Judy Nagel
- William Patterson
- Sally Pope
- Heather Renner
- Jim Stamson
- Tom Stransky
- Dick Wendt
- Janet Wendt

Thank you recruiters

- Charles Lundquist
- Theodore Nagel
- Robert Renner, Jr.
- Tom Swain

New publications available

The recently approved report *Big Trucks: A Small Piece of a Larger Problem*, and *The 1991 Legislative Session: Citizens League Positions on Key Issues* are now available. Copies of the Trucks report are available at no charge for League members and $10 for non-members. The League is mailing the legislative issues summary to all members.

Board approves report from libraries study committee

New regional library services recommended

At its February 25 meeting, the Board of Directors gave final approval to the report from the Libraries study committee, chaired by **Steve Schewe.** The Board resolved one matter held over from its last meeting regarding the appropriate structure for the Metropolitan Library Service Agency (MELSA), a federation of the nine major public library systems in the region.

At the Board's request, Schewe put together a structure and rationale for new regional library services. His recommendation, which was ultimately approved by the Board, was to vest in MELSA responsibility for designing and coordinating new regional services, such as a regional reference service or book depository. MELSA would remain a coordinating and planning agency and would not operate these new services.

The report recommends the Legislature create MELSA in statute as a metropolitan agency. Furthermore, it recommends the Legislature grant MELSA some *limited* taxing authority to raise operating funds for new regional services in addition to the grants that it already receives from state and federal sources. Separate levy authority is recommended to raise revenues to support debt financing for new facilities serving regional purposes.

The report recommends that each of the nine governments' operating libraries still name one voting member to MELSA's governing board. In addition, it recommends that some of the systems with larger populations name a second voting member to the MELSA board, and that the University of Minnesota name a member. To make MELSA's decisions more accountable, membership of the governing board should be dominated by elected officials. Therefore, the report recommends requiring that the nine member governments name elected officials to the board. Finally, it recommends a review of the MELSA structure after five years.

> *The Legislature should create MELSA in statute as a metropolitan agency.*

Also at the February 25 meeting, the Board began discussing the report from the Party Caucus study committee, co-chaired by **John Himle** and **Jeff Spartz.** The Board continued that discussion to its next meeting.

Mind Openers will feature discussion of state budget

During the next series of Mind Opener breakfasts, speakers will address how the state should balance its budget. **John Gunyou,** commissioner of the Minnesota Department of Finance, will kick off the series on Tuesday, March 19 explaining the governor's proposal for dealing with the anticipated $1.2 billion budget shortfall.

On Tuesday, March 26, **Sen. Gene Merriam,** DFL-Coon Rapids, and chair of the Senate Finance Committee, will present his views on the budget situation.

At the following Mind Opener on April 2, **Rep. Terry Dempsey,** IR-New Ulm, and minority leader in the House, will present an IR perspective.

All Mind Opener breakfasts are held at the Central Lutheran Church, 333 East 14th Street in downtown Minneapolis. The Mind Openers run from 7:30 to 8:30 a.m., and cost $6 for members and $12 for non-members. Call 338-0791 to make your reservation.

Omission

We inadvertently omitted **Gail Lorenz's** name from the Trucks Committee member list in the February 26 issue of the *CL Matters.* We apologize for the error.

Many participated in League caucus study, both on and off the committee

With the start of the study on party caucuses last November, the League developed a number of other opportunities for its members to get involved in the topic without actually serving on the study committee. Because of the positive response to these activities, the League may offer similar events in the future.

One of these opportunities was the so-called *Speak Ups*, small group discussions on the caucus topic held in eleven homes around the metro region. Nearly 220 members signed up for the *Speak Ups*, and 117 participated.

About 80 percent of the participants returned the evaluation form handed out that night. Nearly all of them were enthusiastic in their support for the *Speak Ups* concept and urged the League to do similar events. A summary of the *Speak Up* recommendations was prepared for the committee and the Board.

Another activity was the opportunity to listen to the resource persons who had agreed to testify before the study committee. The League sent all members a flyer inviting them to attend these meetings. Nearly 50 members outside the committee signed up to come.

The League also produced a special newsletter dedicated exclusively to the caucus issue. This summarized information about Minnesota's caucus system and the testimony the study committee had received. The League mailed this *Caucus Matters* newsletter to all members. Contained within the newsletter was a questionnaire to solicit members' opinions on the effectiveness of the party caucuses they attended. About 330 members filled out and returned a questionnaire, the results of which were summarized and presented to both the study committee and the Board of Directors.

Nearly all of the Speak Up participants urged the League to do similar events.

All of these opportunities were planned in response to a survey the League conducted last fall. From the survey results it was clear that many members had an interest in the caucus topic but could not (for a variety of reasons) participate on the study committee. The survey indicated the types of activities in which most members seemed interested. Consequently, the League developed the special events described above.

Cummins names special *Journal* study group

President **Buzz Cummins** appointed Director **Kent Eklund** to chair a special committee to examine the future of the *Minnesota Journal*, the public affairs journal published by the League. Because the external funding sources for the *Journal's* editorial services expire at the end of the year, Cummins decided a review of the publication and its financing was in order. Also on the special committee are: Directors **Ellen Brown** and **Carol Kerner**, and two members of the Marketing and Communications Committee, **Dick Moberg** and **Margaret Lulic.**

League yearly audit completed

The Citizens League financial audit for fiscal year 1990 is complete. The audit, which covers the period from September 1, 1989 to August 31, 1990, was conducted by Obermeier and Associates. The completion of this audit finishes the two and a half year process of changing the League's fiscal year. It also conforms to generally accepted accounting standards by switching to the accrual method. If you'd like a copy please call 338-0791.

CL Calendar at a Glance: March 11 - 22, 1991

Monday	*Tuesday*	*Wednesday*	*Thursday*	*Friday*
11	12 **Mind-Opener**, 7:30-8:30 a.m., Central Lutheran Church, Minneapolis	13	14 **Marketing & Communications Committee**, 7:30-9:00 a.m., Thresher Square Building, Minneapolis	15 **Community Information Committee**, 7:30-9:00 a.m., Tay Do Restaurant, St. Paul
18 Happy day after St. Patrick's Day!	19 **Mind-Opener**, 7:30-9:00 a.m., Central Lutheran Church, Minneapolis	20 **Executive Committee**, 7:30-9:00 a.m., Town & Country Club, St. Paul	21	22 Have an idea for a speaker at the League's annual meeting? Call 338-0791.