MN JOURNAL

A Public Policy Monthly from the Citizens League

Citizens League
Common ground. Common good.

Volume 23 • Issue 4
May 2006
www.citizensleague.net

Medical facilities expansion:

What Minnesota needs to know

by Duane Benson and Peter Gove

The nation is in the midst of a wave of medical facility investment and modernization and Minnesota is no exception. Yet Minnesota's citizens and governments lack the basic information needed to make good decisions about the expansion of medical facilities. We don't have a functioning market to do it for us, and there is no process in place for information-gathering and decision-making, according to a recently completed study by the Citizens League's Medical Facilities Study Committee.

> More competition does not typically yield greater effeciency and lower cost in medical care. To the contrary, too much supply for a medical service can lead to more use and higher cost.

If nothing else was clear, the 2005-2006 Legislature exposed the current process used to make decisions about expanding hospital capacity in Minnesota as inadequate. Now is the time to establish a process for improved information gathering and decision making, before we are faced with another decision—similar to the recently approved hospital in Maple Grove—about expanding capacity.

Several medical care providers reportedly spent millions of dollars in an effort to convince the Legislature that they ought to be the one allowed to build a new hospital in Maple Grove. Ultimately, one proposal succeeded. But there was no process to guide the Legislature or the providers. At one point, as many as 40 lobbyists were working at the Legislature in some capacity on this issue. What are the circumstances that led to this seemingly sudden hole in our decision-making process?

The Minnesota Legislature established a hospital bed moratorium in 1984. The Maple Grove proposal marks the first instance where the Legislature has faced a competitive situation to build a hospital, but it isn't likely to be the last. Both the Twin Cities metropolitan region and Greater Minnesota have a number of growth areas where suppliers of medical services are likely to build in the near future.

The Medical Facilities Study Committee, which met from October 2005 to March 2006, concluded that there is a need for both more and better information about the market for medical facilities, and that the state needs to play a crucial role in creating a more open and comprehensive process for regulating future expansions.

The need for information

If the saying in real estate is: "location, location, location," then perhaps the saying in medical care should be: "information, information, information."

The U.S. market for medical care is experiencing a significant shift toward consumer choice, or "consumer driven" care. Behind this shift is the assumption that ample information exists for consumers to make informed choices. In Minnesota, a great deal more information is needed for even the largest purchasers to make choices based on cost and quality.

It is not just citizens who need information to make medical care decisions. All consumers need better information. Public and private employers need better information to purchase medical care. Government needs better information to avoid policies that result in regulatory failure (i.e. when government does not provide the framework for a functioning market) and

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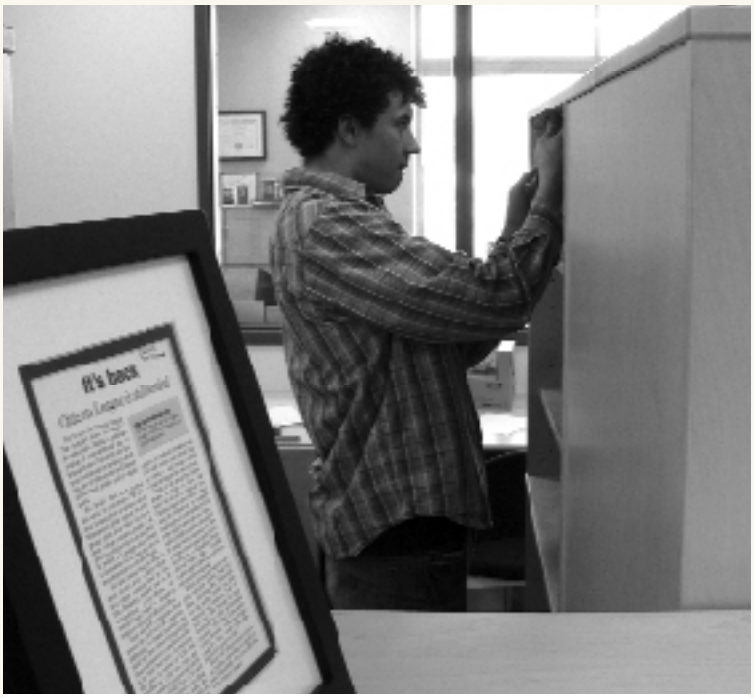
CONNECTIONS

Building a League of Citizens



Citizens League intern Brian Bell takes a break from policy work to put together new IKEA office furniture for incoming Deputy Director Ann Kirby McGill.

Ann Kirby McGill & Annie Levenson-Falk join Citizens League staff

Ann Kirby McGill joined the Citizens League staff as **Deputy Director** on April 10. Most recently, Ann worked in private sector consulting, helping higher education institutions throughout the country with marketing and communications, alumni relations and development.

For more than ten years, Ann worked in University Relations at the University of Minnesota where she served as the Director of Constituent Relations, Special Assistant to the Vice President, and in the Office of State Relations. Ann has also been an active member of the Citizens League. You can reach her at akirbymcgill@citizensleague.net or 651-293-0575 ext. 15.

Annie Levenson-Falk joined our staff as **Administrative Assistant** on April 24. Annie is a recent graduate of Haverford College and has been working with Bob DeBoer as an intern on the Medical Facilities Study Committee. While in college, Annie studied abroad in Northern Ireland and Guatemala, and is proficient in Spanish. She can be reached at alevensonfalk@citizensleague.net or 651-293-0575 ext. 16.

Do Racial Disparities Matter?

Kenneth Ford, a long-time Citizens League member, submitted a response to our recent Facts Unfiltered piece "Why Racial Disparities Matter." Read his commentary online at www.citizensleague.net/weblog

List of new members, donors, and recruiters

Individuals and families

Bruce Blumenthal
Maureen Bruce
David and Jane Cummiskey
Bill Frenzel
Barb Gustafson
Sally Johnson and Kay Kramer
Sheila Kiscaden
John Lindstrom
Gene Mammenga
Denise Meyer
Lynnell Mickelsen
Patrick Ness
Kimberly Nuckles
Jeffrey S. Ochs
George C. Ogbonna
Alec G. Olson
Carl Phillips
Anthony Signorelli
Mike Wassenaar
Alexander Whitney
Sara Wittl

Firms and Organizations

Advance Consulting
Century College
Fredrikson & Byron Foundation
Fruth Janison & Elsass
Neighborhood House
University Relations

Recruiters

Duane Benson
Lynn Blewett
Humphrey Institute
Sean Kershaw
Dee Long
Alicia Phillips
Nena Street

Thanks to our volunteer

Cal Clark

How to Get Involved This Month

1) Attend the Medical Facilities Mind Opener, Thursday May 18. Find out more and register online at www.citizensleague.net.

2) Volunteer for the Facts Unfiltered working group. Call or e-mail Victoria Ford at 651-293-0575, ext. 17 or vford@citizensleague.net.

3) Join the Policy Advisory Committee, and help the Citizens League choose policy topics and develop standards to ensure the quality of our work. Call or e-mail Bob DeBoer at 651-293-0575 ext. 13 or bdeboer@citizensleague.net.

VIEWPOINT

Voices In My Head

Meet Minnesota's new governors!

It is imperative that we trust in the power and potential of citizens

by Sean Kershaw

My last Viewpoint talked about the implications of our new mission, which focuses on our role in building civic capacity. Over the next several months I'll use this space to present the new set of principles that accompany this mission.

These principles are meant to serve as a fundamental set of beliefs and ideals to guide the work of the Citizens League. We also hope they will begin an open-ended and ongoing discussion about how to improve public policy-making. We look to these principles to help us develop more specific standards and practices to apply to our policy work.

Our 'first principle'

The Citizens League believes in the power and potential of all citizens. That all Minnesotans are capable of developing an in-depth understanding of complicated public problems, of imagining innovative and effective public policy solutions, and of governing for the common good.

Isn't this nice? I'm sure cynics are waiting for us to express our belief in the fundamental goodness of puppies and rainbows next.

But isn't this belief in citizen capacity also necessary?

Not just because we live in a democracy, but because we live in a world that now demands more from citizens. As the world becomes bigger, faster and more complex, individual citizens and institutions are actually more important than ever. If we don't believe citizens are fundamentally capable of stepping up to meet these demands, to govern for the common good, then we shouldn't wonder why public policies fail.

Citizens have an intrinsic capacity to govern—to make decisions that balance their specific self interest with the common interest. Citizens also live with the real life impacts of public policy decisions (in families, workplaces, schools, etc). They don't just think about it as an intellectual matter. We can glean a great deal of essential wisdom from their experiences. This should not be an abstract exercise, reserved for bureaucracies and outside experts. It must involve a diverse range of citizen stakeholders.

If we don't believe citizens are fundamentally capable of stepping up to meet these demands, to govern for the common good, then we shouldn't wonder why public policies fail.

When we learn to capture these collective experiences and use them to shape public policy and the institutions that create those policies, we can begin to solve the policy issues that matter most to us.

For example, the day-to-day experiences of students, parents and teachers in schools must inform our education policies. The nightmarish stories of people who have confronted the insufficient long-term care options for aging parents should tell us much about how to reform this system. We have to trust in their ability to help define and frame public policy problems, and to help govern and implement more effective solutions. We also have to reject policies that reinforce citizens as victims or helpless consumers.

Developing capacity

But we also believe that this capacity to govern and to impact public policy must be developed. To say that citizens are capable of governing for the common good doesn't mean that they necessarily have the ability to do so. (I'm 6'4" and have the *capacity* to play basketball. Anyone who has seen me play knows I don't have the *ability*.)

Thomas Jefferson famously said he "knew of no safe depositary of the ultimate powers of the society but the people themselves," but he ended this statement by saying *"and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education"*—in essence, to build their capacity to govern.

Anyone who has participated in one of our study committees knows that this work takes patience, the ability to analyze problems and to take part in civil but effective debates, and the ability to look at the world as it really is with facts and systems of incentives and organizations. These are governance skills.

We cannot be so naïve as to believe in the capacity of citizens without deliberately helping to develop this capacity. Our study committee work has always accomplished this goal. We look forward to being more deliberate about it with our new study committees, in our events, and as we develop new programs.

A hopeful approach

Believing in the capacity of citizens to solve public problems is fundamentally a hopeful approach. Hope is based not on blind idealism or naiveté, but on the possibility of something better. Hope is smart, realistic, and motivating.

So as we think about our real policy challenges right now, and as we imagine what we want Minnesota to be when it turns 150 in two years, we should encourage some hope about the role of citizens. In a year where the race for governor will take center stage, perhaps the first step is to see that we are all, as citizens, the most important governors for Minnesota's future. ●

Sean Kershaw is the Executive Director of the Citizens League, and can be reached at skershaw@citizensleague.net or 651-293-0575x14. Please visit our website to take part in a conversation about these new principles, or contact Sean directly.

FACTS UNFILTERED

When is water impaired?

Each month, Citizens League members and staff will collaborate to select a timely policy topic, then ask the important—and sometimes uncomfortable—questions and dig up the answers. Just the facts, unadulterated and unspun.

Questions, comments, corrections? We need more Facts Unfiltered volunteers! If you are willing to roll up your sleeves and dig into the facts, if you have suggestions for a future Facts Unfiltered policy topic—or if you just think we got something wrong—e-mail us at facts@citizensleague.net.

Q What determines whether a body of water is classified as impaired?

A "Impaired" doesn't just mean icky—it's a legal term with major legal ramifications (See the April 2006 *Minnesota Journal*). A waterbody is impaired if it fails to meet water quality standards for its "designated uses." Minnesota has seven classes of designated uses: domestic consumption (drinking water); aquatic life and recreation; industrial consumption; agriculture and wildlife; aesthetic enjoyment and wildlife; other uses and "limited value waters." Each designated use has a set of water quality standards established by tri-state regulation.

Q How many of Minnesota's waters are impaired and what causes impairment?

A According to the Minnesota Pollution Control Agency's most recent assessment, 1,013 lakes and parts of 294 rivers meet one or more of the legal definitions for impairment. About two-thirds of all impaired waters are impaired because of elevated levels of mercury in fish. Most other lake impairments are nutrient related. The major causes of river impairment include turbidity, bacteria, impaired biotic communities, and PCBs.

Many Minnesota waters have not yet been assessed. Only 4 percent of the state's lakes have been fully assessed, but most large lakes have been, comprising some 60 percent of the total lake acreage. About 10 percent of the state's streams have been fully assessed.

Q Where does mercury come from and what are we doing about it?

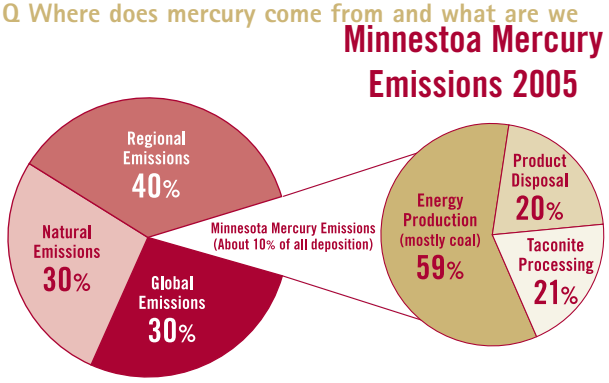


Figure 1. Mercury emissions from natural and human sources. Source: Minnesota's Draft Total Maximum Daily Load Study for Mercury, 2005

A Mercury enters the atmosphere from volatile emissions and is transported regionally and globally via the atmosphere. It enters watersheds from airborne deposits. About two-thirds of mercury emissions result from human activities and one-third comes from natural sources, such as volcanic eruptions (See Figure 1).

We have been successful at reducing mercury emissions that result from the intentional uses of mercury (mercury fungicide use on golf courses and in latex paint) and from the disposal of products that contained mercury (the incineration of mercury-containing batteries, lamps, etc.). Minnesota's mercury emissions are one-third of what they were in 1990. Most remaining mercury emissions in Minnesota and the United States (and the rest of the world) come from coal-burning power plants, which release mercury in coal into the atmosphere during combustion.

Minnesota has a mercury reduction goal, but even if the state were to meet this goal we would not meet the target for reducing the concentration of mercury in fish because 90 percent of the mercury deposited within Minnesota originates *outside* Minnesota. This is a problem where national and global cooperation is needed.

Q How are changing nutrient levels affecting Minnesota waters?

A The primary limiting nutrient for Minnesota lakes is phosphorus. When the amount of phosphorus increases in a lake, the density of algae increases and the clarity declines. Decreasing the phosphorus input reduces algae density and increases clarity. Hence phosphorus is a "driver" of clarity.

There are several countervailing influences on phosphorus dynamics in Minnesota's watersheds. Shoreline development is increasing on major recreational lakes, which causes more phosphorus to be imported into watersheds (as food!). We've also been careless about septic systems: nearly 40 percent of the 535,000 septic systems in the state are "noncompliant" and potential sources of phosphorous, especially those located near lakes. On the positive side, Minnesota eliminated phosphorus in detergents in 1977, which cut phosphorus levels in sewage by half. In 2004 we placed a restriction on phosphorus in lawn fertilizers. This may cut total phosphorus inputs by 75 percent in some areas. We've also strengthened controls on feedlot manure, reducing the potential for phosphorus contamination in agricultural areas.

Q How is lake clarity changing?

A Here we have some good news. Based on statewide satellite imagery of more than 10,000 lakes, average lake clarity has improved slightly over the past 15 years, from 2.21 m in 1990 to 2.25 m in 2005 (http://water.umn.edu). This suggests that we are holding our own on phosphorus, even as the population grows. ●

Larry Baker is a Senior Fellow at the University of Minnesota Water Resources Center and a member of the Citizens League Policy Advisory Committee.

School choice is heating up the competition in school sports

Schools are forming new alliances to offer students more sports options

by Jon Schroeder

Minnesota's version of March Madness has now come and gone—a good reminder of the huge role that high school sports plays in K-12 education in our state.

During the five weekends from February 24 to March 25, the Minnesota State High School League estimated that more than 300,000 fans attended seven different state tournaments. More than 125,000 fans were on hand for the state boys' hockey tournament alone.

While these annual statewide tournaments maintain strong traditions, they also reflect significant changes made over the last four decades: the return of inter-school girls athletics in 1969; opening membership in the state high school league to private schools in 1974; the introduction of enrollment classes in 1975; and beginning in the 1970s and 1980s, a long list of district consolidations that have given new identity to school communities that didn't previously exist, "places" like BOLD and Triton and Norman County East and West Central Area.

These earlier developments are now largely accepted. But they're being followed by even more fundamental changes that are driven by a combination of fiscal pressures, expanded school choices, and increased pressure on all schools to focus on academics. Some education policy leaders are even questioning whether competitive sports should be aligned with high schools at all.

Teammates aren't necessarily classmates

Already in place are policies and practices that upset the traditional notion that the 12 members of a high school basketball team will spend the entire day together—attending classes and eating lunch and walking the halls and going to practice in the same district school building.

That tradition remains the norm in many district high schools. But there are a number of variations (See sidebar page 6)—all allowed by state law or State High School League rules to help accommodate both fiscal realities and Minnesota's growing availability of school choices.

The reality, of course, is that the growing number and diversity of school choices makes it less likely that all schools will be able to offer their students a full range of sports and other extracurricular activities. Adding further weight to that prediction is the growing competition in most school districts for financial resources and increased pressures on all schools to focus on core, tested academics.

Rapidly growing home schools and online programs face the greatest challenge in offering students a full range of traditional extracurricular activities. But tens of thousands of Minnesota students have also opted for charter and alternative high schools that face similar challenges because of their smaller scale.

The same is true for smaller rural high schools, some of which have joint teams with districts down the road. And if education reformers have their way, we'll soon be seeing more smaller district high schools in urban and suburban communities as well.

Even some big districts are struggling to maintain sports teams that previously helped define individual high schools. Next year Minneapolis and St. Paul will each be down to two boys' hockey teams—organized around four clusters of three or four district high schools—roughly on an east/west basis in each city. Both Minneapolis and St. Paul also have just one girls' hockey team drawn from all seven district high schools in each city.

Charter schools have mixed experience

Although they've now been allowed for well over a decade, both charter schools and interdistrict open enrollment continue to generate controversy around school sports and other extracurricular activities.

More than 30 Minnesota charter high schools have now either started their own sports programs or entered into voluntary cooperative agreements allowing their students to participate on one or more district school teams. Many of those arrangements are working well, although prorated fees charged by districts have become an issue in Minneapolis, St. Paul and some other districts.

The per-student fees Minneapolis now charges charter schools are $394 for football, $478 for soccer, $897 for cross country and $1,457 for hockey. In St. Paul fees range from $293 per student for soccer to $1,496 for hockey—with fees of $666 for football, $676 for golf and $1,057 for girls gymnastics falling in between. Both district and charter school officials acknowledge that the introduction of these fees has substantially reduced charter student participation on district sports teams in the two central cities. These fees are on top of individual activity fees charged to each student participant.

Other examples of cooperative arrangements between charters and districts include:

- The PACT Charter School in Ramsey has more than a dozen teams of its own in seven different sports. It also has cooperative

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School choice and extracurricular options

Minnesota's expanding array of school choices has helped to produce an equally expanding set of arrangements for organizing and financing extracurricular activities. A quick sampling includes:

Homeschooling: Under a state law passed in 1999, home-schooled students in Minnesota have a right to participate on sports teams in the school district where they live. They may be charged the same activity fees as district students, but, unlike charter schools, may not be charged the prorated cost of the activities they participate in. Home schooling is the fastest growing segment of K-12 education in Minnesota, with about 17,000 home-schooled students in the 2004-05 school year.

Cooperative agreements: Under a Minnesota State High School League rule change adopted in the early 1980s, district, private, and charter schools may all enter into voluntary cooperative agreements for sports or other League-sponsored activities. About a thousand such agreements are now in place in virtually all sports. Each agreement determines any compensation paid from one school to another, often dividing up all expenses, minus revenues, on a prorated basis.

Charter schools: Thirty-two charter schools are now members of the State High School League and are thus eligible to run their own sports programs or enter into cooperative agreements with district or private schools. Some larger high schools, like PACT in Ramsey and the Ag and Food Sciences Academy in Vadnais Heights, field their own teams in multiple sports. Six charters have formed their own Metro Lakes Conference for boys and girls basketball. Overall, about 20,000 students now attend charter elementary and secondary schools in Minnesota.

Online schools or programs: Students attending online charter or district schools may participate in sports offered by the district high school where they live, at the discretion of that district, and may be charged the prorated cost of the activities in which they participate. Online schools and programs are just beginning to emerge as a significant option in Minnesota. But they're expected to significantly expand in the next few years. The state's largest online program—run by the Houston School District—now has 600 students and is expected to double or even triple its enrollment in the 2006-07 school year.

Intradistrict choice: Some multi-high school districts, including Minneapolis and St. Paul, allow students to attend a high school outside their attendance area and participate in sports or other extracurricular activities where they attend school. Both Minneapolis and St. Paul also have a number of cooperative agreements for sports programs among their own district high schools.

Interdistrict open enrollment: State High School League rules allow students choosing a school outside their district to participate in that school's sports and other extracurricular activities as soon as they enroll. If those students then make a second open-enrollment choice and want to play sports, they must sit out the first half of the season. About 38,000 Minnesota K-12 students have open-enrolled from one district to another during the 2005-06 school year.

School Sports

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agreements in other sports with Anoka-Hennepin district high schools. Anoka district high schools charge only the activity fees paid by all students.

- ARTech High School has cooperative agreements with Northfield High School in 12 different sports, with prorated fees—generally $300-$600 per ARTech student. Some ARTech students also participate in the district's fine arts programs and five Northfield district high school students participated in a play this winter at ARTech High School.
- New Century Charter School has cooperative agreements in about 20 different sports and activities with Hutchinson High School. Last year, a New Century student was co-captain of the Hutchinson Tigers football team.
- Minnesota New Country School in Henderson has cooperative agreements with the LeSueur-Henderson School District and with Mankato-West High School. As a member of the West boys swimming team, MNCS junior Kirby Mattocks placed second in the one-meter diving competition in this year's Minnesota State High School swim meet.

Meanwhile, Bemidji and several other districts continue to have policies against entering into voluntary agreements with charters in their areas. And other charters have given up trying to establish cooperative agreements and decided either to create their own extracurricular programs or to focus on their core academic mission.

According to Eugene Piccolo, director of the Minnesota Association of Charter Schools (MACS), charter advocates are not pushing legislation this year, previously passed by the state House of Representatives, to mandate the opportunity for charter students to participate in district extracurricular activities.

But, Piccolo said, "We believe the emphasis should be on the interests and needs of young people, rather than on politics or organizational interests."

To that end, Piccolo said, "MACS will support legislation that would prohibit traditional school districts from adopting policies that discriminate against charter school students or that charge exorbitant fees that do not reflect the actual cost of the extracurricular activity."

Longer term, Piccolo also said he envisions charter school organizing more of their own sports, fine arts and other extracurricular activities, perhaps in partnership with each other and with community-based organizations.

Open enrollment sparks ongoing debate

From its beginning in the 1980s, Minnesota's pioneering open enrollment program has raised fears that student athletes would be recruited from one district to another—unfairly creating powerhouse teams and displacing students who live in the enrolling district.

To address those fears, the Minnesota State High School League previously adopted a rule requiring student athletes to sit out half a season after making a second change in schools. That change hasn't satisfied the most vocal critics of open enrollment, however, who cite press reports of alleged recruiting by some high school teams.

Getting the most attention is a frequently discussed rule change that would require any student athletes changing schools a second time under open enrollment to sit out an entire year before joining sports teams at their new high school.

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TAKE NOTE

Innovative Policy Initiatives from Around the World

What happens when incentives work?

Oregon is asking itself that question now: What happens if the state's 24-cent-a-gallon gas tax succeeds in reducing the amount of gas that Oregonians consume? According to the *Seattle Times*: "The air would be cleaner. Oil imports would drop. And the transportation budgets of Oregon, Washington and almost every other state would deflate like a punctured balloon. Think about it: Most money for highway construction and maintenance comes from state and federal taxes on gasoline. If people bought a lot less gas, highways would get a lot less money." A task force in Oregon projected that gas-tax revenues will actually begin to drop in 2014.

In response, Oregon is exploring a new highway funding model. Dubbed the Oregon Road User Fee, the program would tax drivers based on the number of miles they drive. Cars would be outfitted with a Global Positioning System that would track the number of miles driven in Oregon (miles driven outside of Oregon would not be taxed) and at what time (miles driven during rush hours would be taxed at a higher rate). The mileage tax would be calculated and paid at the pump when drivers filled up.

Some critics are concerned that the mileage tax will discourage drivers from buying fuel-efficient cars. The actual tax would be determined by state lawmakers, but during an upcoming pilot program with 280 volunteers in the Portland metropolitan area the tax will be set at 1.2 cents a mile. At that amount, for a car that gets average mileage, the total tax bill would be about the same as under the current gas tax. But few cars actually get average mileage. The mileage tax would effectively raise the cost of driving a car that gets better-than-average gas mileage (because drivers would no longer get a tax benefit when they bought fewer gallons of gas) and lower the cost of driving a car that gets worse-than-average gas mileage (because those drivers would no longer pay more taxes as they pumped more gas into their cars).

Others are worried about drivers' privacy. "I think what we've learned since Sept. 11 is that federal law enforcement seems to have an insatiable appetite for every bit of information that might be available," said David Sobel of the Electronic Privacy Information Center, in a recent *New York Times* article. "The existence of such a database, which would, for the first time in history, allow for the creation of detailed daily itineraries of every driver, raises obvious privacy concerns."

But proponents of the idea are quick to point out that the system can't be used to track where drivers have been (it only notes whether they are driving inside a defined zone—like the state of Oregon)—and that the state Legislature could address other privacy issues if it passed a bill mandating the mileage tax.

Electronic Privacy Information Center: www.epic.org

"Seeking fiscal health without gas tax," New York Times: www.nyt.com

"Oregon to test mileage tax as replacement for gas tax," Seattle Times: www.seattletimes.com

Other transportation tidbits

The Georgia Department of Transportation is looking for inexpensive ways to monitor traffic on the state's highways—and cell phones may be the answer. Cell phone towers already "ping" phones as they move around in people's pockets, briefcases, and glove compartments. The Department of Transportation wants to use the data that is already collected to track how fast traffic is moving. Relying on cell phone data would preclude more detailed analyses (the state couldn't, for example, count the total number of cars on the road—just those with cell phones) but would cost a fraction of the amount that the state currently spends on traffic monitoring.

Parents in two Ohio Counties have a new tool for a different kind of monitoring: they can sign up to be notified whenever their kids are pulled over while they are driving. The STOPPED program (the acronym stands for Sheriffs Telling Our Parents and Promoting Educated Drivers) was created in New York in 2001. Parents are generally enthusiastic about the idea, but teenagers argue that they are unfairly labeled as bad drivers. Who's right? Around 1,300 vehicles have been registered with the program—and so far, none have been involved in a crash. Are teenagers better drivers than parents think, or are they more careful once they know they are being watched? Either way, the program has been a success; about 30 counties in 23 states have adopted it.

Teenagers in Florida are facing other restrictions. A proposed law would ban teenagers with learner's permits from using cell phones while driving. The author of the legislation argues that it will help curb the number of deadly traffic accidents in the state. "Highway crashes are the leading cause of death in the 15-20 age group, and research shows that distracted drivers contribute to at least a quarter of all crashes nationwide, government officials say," writes the *Palm Beach Post*. Cell phone companies have been supportive of similar laws in other states (including Minnesota).

Bill would keep some teens off cell phones while driving, Palm Beach Post: palmbeachpost.com

THE BOTTOM LINE:
Oregon explores a "pay-as-you-drive" funding model for highways.

Cellphones:
Thumbs up for traffic monitoring.

Thumbs down for teen drivers with cell phones.

We are always on the lookout for community and government innovations around the world.
If you see something you think we should be covering, forward the link to info@citizensleague.net.

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to enable it to introduce market reforms that produce functioning markets within medical care.

Developing a sound process to make decisions about new hospital capacity only tackles the most visible part of the medical care system in Minnesota. Hospital beds (also called inpatient beds) are only one portion of our medical care system and, by some measures, make up a shrinking portion of it: as medical technology and expertise increase, treatments that once required a hospital stay (24 or more hours) no longer do.

On the other hand, Minnesota's population is increasing at the same time that we are aging overall as a state, so many more people will be moving into the stage of life where hospitalization is more frequent. This big interaction between demographics and technology makes it very difficult to plan how much hospital capacity will be needed in the future, so it is imperative we collect more comprehensive information and start paying attention to overall need. A recent simulation, "The Effect of Population Aging on Future Hospital Demand," published in March in *Health Affairs*, found that advances in technology and other factors that affect medical practice patterns will "dwarf" the impact of aging on future spending. This finding suggests that we should be very cautious before building more hospitals in Minnesota.

There is a glaring policy gap in how we assess our medical care system in Minnesota. Hospitals are the only type of medical facility where the state has some control and access to information about the need for medical services and the availability of medical facilities. In all other medical services (those that do not require a 24-hour stay), there has been no attempt to determine need statewide, nor to align that need with medical facility capacity.

In addition, the current process for determining the need for new or expanded medical facilities in Minnesota is initiated by medical care providers—it is a supplier-driven market. Even in the case of the hospital moratorium, the new public interest review (adopted by the Legislature in 2004) is only performed by the Department of Health when a supplier seeks to add inpatient beds.

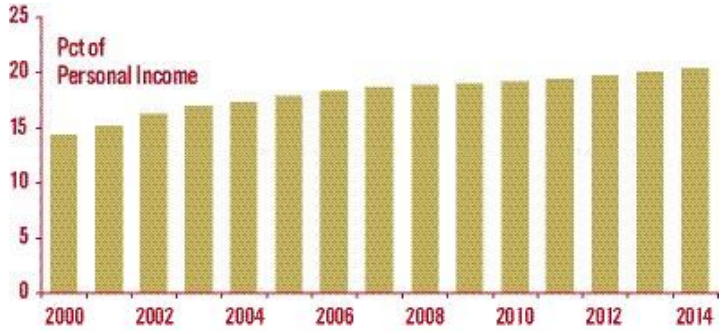
Determining the need for medical services and the appropriate supply of medical facilities is a necessary first step to addressing cost.

Unsustainable costs

There is broad agreement that the cost of medical care is rising to a degree that is not sustainable. Some medical procedures yield significantly higher margins of revenue than others. These high-margin procedures are often associated with technological advances. Medical equipment and facilities that support these procedures are proliferating and they are one important driver of the increased cost of medical care. The business strategy of a provider may dictate a capacity increase for a high-margin medical service. As part of that decision, that provider will judge that there is a sufficient supply of patients to make the new facility cost effective. This is not the same as determining need for a medical service and can lead to over supply for high-margin services.

There are a variety of indicators detailing the high cost of medical services, one of which is the relationship between cost for medical care and other economic indicators. Personal income growth in Minnesota is expected to increase 27 percent from 2000 to 2014. During this period of significant income growth, medical care expenditures in Minnesota are expected to rise as a percent of personal income, from less than 15 percent in 2000 to more than 20 percent in 2014 (See Figure 1).

Figure 1: Health Care Expenditures are Expected to Increase as Share of Personal Income by 2014



Source: Minnesota State Economist

Market and regulatory failure

A more open and comprehensive process for medical facility expansion is a crucial role for the state because the market for medical care does not function like other markets. More competition does not typically yield greater efficiency and lower cost in medical care. To the contrary, too much supply for a medical service can lead to more use and higher cost, a phenomenon called supplier-induced demand. In medical care, unlike most services, suppliers (medical service providers) actually make the decisions that dictate the demand.

This is relatively unique to medical care because consumers (patients and purchasers) do not have the knowledge to make informed decisions about medical needs, or the ability to make choices regarding price and quality of various providers. Consumer lack of information is a major market failure of the medical care system.

Market failure is a commonly discussed concept, but the market for medical care also suffers from regulatory failure. The main evidence of regulatory failure is that government policies have been unsuccessful in creating a consistent, functioning market that reasonably contains costs. This is true throughout the nation. Minnesota's regulatory framework for new medical facilities focuses on a very narrow segment of medical facilities projects that involve the addition of new inpatient hospital beds and/or the transfer of existing hospital beds to a different location. All other types of facility investments are ignored.

Even within the regulation of hospitals we have no criteria to govern decisions. This is another form of regulatory failure. As a case in point, the Maple Grove hospital was approved in 2006 with a long list of requirements. Legislation that is also moving forward to approve a new 25-bed hospital in Cass County, which has no requirements other than approval by the Cass County Board.

Regulatory failure has also been a major factor in producing cross-subsidization. Incomplete information on the actual costs of medical care has created a regulated payment system (Medicare and Medicaid) that results in payments for some types of medical care at high margins in relation to costs, and payment for other

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types of care at low margins in relation to cost. This promotes investment in high-margin services, such as cardiac care and surgery, versus lower-margin services such as mental health care.

In addition to the cross-subsidization between services, there is also cross-subsidization between payers for medical care. Providers often have preferred contracts that offer "low-ball" prices to health plans, resulting in a higher retail price for those who aren't part of the plan. The result is that retail consumers, including the uninsured in many cases, end up paying more to subsidize the preferred contract that a provider has with a third-party payer.

Both of these types of cross-subsidization are major barriers to medical care consumers because there is little to no transparency in identifying a price for a given product or medical service.

Capital expenditure reporting

What little we do know about medical facilities other than hospitals comes from a capital expenditure reporting requirement that was enacted as part of Minnesota Care in 1992 (See Table 1). From 1993 to 2004, imaging equipment (MRI, CT Scans, PET Scans and other imaging) made up the largest category in terms of the number of projects requiring a capital expenditure over $1 million. Intuitively, people might assume that the medical care suppliers are providing too much imaging equipment. That may be true, but imaging is used in a wide variety of medical services and we have not developed any definition of need for imaging, nor do we collect information on what services imaging machines are used for.

The Citizens League Medical Facilities Study Committee has outlined a three-stage approach to improve the state's decision-making process on medical facilities expansion which includes an information gathering stage, a decision-making stage, and a market and regulatory reform stage.

Developing a consumer voice

Changes to establish market and regulatory reform in the medical care market must be approached in stages. Any effort must begin with a comprehensive effort to gather necessary information.

The Citizens League recommends that the state establish a permanent, quasi-public body to act as a consumer voice in medical care decision-making and to initially oversee the gathering of statewide information to answer two basic questions:

- What medical services are currently available?
- What is the capacity and use of existing medical facilities?

A proposed name for this body could be the Minnesota Medical Information Authority (MMIA). It should have a dominant majority acting as consumers of medical care and be charged with balancing consumer interests with supplier interests to help offset the tendency in medical care toward supplier-induced demand. The Legislature should establish the MMIA in the 2007 legislative session. To view the proposed makeup of the MMIA, go to www.citizensleague.net and click on Medical Facilities Study Committee.

This group must have a high degree of credibility and integrity. To represent the public interest, an administrative law judge could certify a pool of candidates that meet criteria for impartiality and freedom from conflict of interest. The Governor and Legislature could then select MMIA members from this certified pool of candidates.

Table 1: Capital Expenditures for Medical Facilities in Minnesota 1993 to 2004

Expenditures over $500,000 from 1993-2002
Expenditures over $1 million from 2003-2004

Total Capital Expenditures:	**$4.00 billion**	**100%**
Hospitals:	**$2.57 billion**	**64%**
Urban Hospitals:	$1.81 billion	45%
Rural Hospitals:	$0.76 billion	19%
Clinics:	**$1.55 billion**	**36%**
Urban Clinics	$1.32 billion	33%
Rural Clinics	$0.15 billion	3%
Spending by Provider:		**100%**
Mayo		20%
Allina		15%
Fairview		9%
Park Nicollet		5%
Health Partners		5%
St. Cloud Hospital		5%
Health East		4%
North Memorial		3%
Children's Hospitals and Clinics		3%
HCMC		2%
Other		29%
Project Types		**1,369**
Imaging (MRI, CT, PET, Other)		386
Building, Renovation or Non-Patient		326
Physician Office Space		209
Computer, Laboratory, Phone or Monitoring		139
Surgery Care		90
Cardiac Care		84
Emergency Care		58
Radiation Therapy		41
Intensive Care		24
Outpatient Surgery		12

Table 1 Source: Minnesota Department of Health, August 2005

The initial job of the Minnesota Medical Information Authority (MMIA) would be to work in conjunction with the Department of Health to examine existing authority to collect information on a statewide basis that can inform consumers on facility need and the cost of medical care, and to make recommendations to the Legislature. Operations of the MMIA should be funded initially by the Legislature and staffing should be kept small (under five).

The MMIA will determine what information can be required from existing providers under current law to establish a baseline of medical facilities and services in Minnesota. The MMIA will then determine what information should be required from all medical care providers when they increase capacity in medical services. The MMIA will establish reporting thresholds for:

- capital expenditures on facilities and technology,
- expansions or the addition of new medical services, or
- expected revenue streams from a change or increase in operations.

Included in this determination will be the longer-term charge to establish information and data requirements that can lead to quality metrics.

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The MMIA should report to the Legislature within 18 months on existing medical services and facilities and make recommendations about future need.

Recommendations from the MMIA should be ready for action by the 2009 Legislature.

Although the nature of the MMIA effort must be comprehensive, it should have the authority to prioritize efforts with the Department of Health and other state agencies to achieve this timeline.

The Legislature should consider temporary controls if there are sectors of medical services or facilities where there is clearly enough capacity and more growth is not desirable. This would be a way to offset any tendency to overbuild higher-margin services during the MMIA's information gathering stage, before information on need is established.

The decision-making stage

After the MMIA's initial report and recommendations, the Legislature and the MMIA will be faced with another round of decisions.

The Citizens League recommends that decision-making authority for moratorium exception decisions (such as the Maple Grove hospital decision) be transferred to the MMIA. This step in authority will provide consumers with a necessary voice in the supply of medical care. Since the MMIA will now be the authority for a broad range of information on medical services and facilities, hospital decisions—at a minimum—should be made within the framework of comprehensive information.

The Legislature should retain authority to either ratify or reject the MMIA's decision, but must do so within one legislative session after the decision is made. Public hearings at key points in the process are also desirable.

With a baseline of medical services and facilities in place, the MMIA should require information on significant facility investments, expansions of service capacity, or the creation of significant new revenue streams in the broadly defined areas of medical care established during the information-gathering stage.

On a project-by-project basis, the MMIA should employ an independent consultant who is an expert and disinterested professional with the ability to potentially provide:

- research and analysis on cost
- assessment of need
- survey of community opinions
- financial and social impact on the community and on investors

The cost for an independent consultant and other additional costs can be assessed to the producer of the new medical service capacity.

Testing a market tool

The Citizens League recommends that the Legislature authorize the MMIA to develop a competitive bidding process for inpatient hospital beds. Criteria for awarding bids should include specifications of medical services to be provided and some measure for quality of care and ability to provide specified services. Competitors could outline how they will respond to the criteria and specifications as part of a sealed bid.

The MMIA should have the capacity at this point to provide a state function that is proactive, that identifies need, and, at the very least, informs the public and investors whether the consumers think a proposed expansion is needed. Current law simply calls for the Department of Health and legislators to react when providers signal their desire to build inpatient hospital beds.

The proceeds from competitive bidding for inpatient hospital beds must flow to support medical services where the greatest needs have been identified. Ongoing funding for the MMIA should come from fees paid by applicants that want to expand capacity at a level that triggers reporting to the MMIA. The fees should be designed to cover the costs of specific regulatory processing and not become a back-door way to fund all the functions of the MMIA. The Legislature will need to maintain some level of ongoing appropriation.

The MMIA should report to the Legislature and make recommendations on a biennial basis. The 2011 Legislature should receive recommendations on the potential to test competitive bidding on medical services and facilities other than inpatient hospital beds, or recommendations regarding other market reform tools that can lead to a more functional market.

Market and regulatory reform stage

Once the MMIA is set up and has established a process for determining need and a new decision-making process is in place, it should explore the possibility of expanding the use of competitive bidding beyond hospitals when there is competition for other types of medical services and facilities.

If competitive bidding is applied more broadly across the medical care market, all proceeds should be used to provide greater capacity and access in medical services where there is a demonstrated need.

Ideally, competitive bidding or other market reform tools will remedy a significant failure of the current market—the need for cross-subsidization.

Once the competitive bidding process and/or other market reforms are in place to create significant price transparency, the MMIA can assess the benefits and risks of removing the moratorium on inpatient hospital beds. Major efforts to reduce the need for cross-subsidization are necessary before we consider removing the moratorium.

Demanding informed decisions

The report of the Medical Facilities Study Committee is purposefully not prescriptive about many of the details that follow from the establishment of the Minnesota Medical Information Authority (MMIA). That is by design. All efforts to align medical facility capacity with need for medical services must be informed to a much greater degree than is possible today.

Information is the basis to provide an improved system for medical care in Minnesota. Each set of decisions must be based on in-depth information and should not adhere to a rigid structure.

This proposal is a vehicle to begin to address the seemingly intractable problems in the delivery of medical care—unsustainable costs, market and regulatory failure, and the imperative to construct a system where consumers have meaningful choices. ●

Peter Gove recently retired after 25 years with St. Jude Medical and Control Data Corp. He is the former Executive Director of the Minnesota Pollution Control Agency and former Legislative Director for U.S. Senator Wendell Anderson. He served one term on the Citizens League Board of Directors.

Duane Benson is Executive Director of the Minnesota Early Learning Foundation. He served as Executive Director of the Minnesota Business Partnership from 1994 to 2003 and three terms as Minority Leader of the state Senate. He represented Lansboro in the Senate from 1980 to 1994.

School Sports

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As one district athletic director put it, "If the student's intent is to change schools for academic reasons, then why not focus entirely on academics for that first year?"

According to Todd Lundberg, president of the State High School League, no formal proposal to change open-enrollment eligibility rules has yet been made to the League's board or membership. Any such rule change would require action by the League's representative assembly, following extensive consultation with the League's members in regional meetings around the state.

Do organized sports even belong in schools?

In the long term, some education policy leaders are urging more fundamental changes in both the role and organization of extracurricular activities.

Joe Nathan, director of the University of Minnesota's Center for School Change, says many school districts have gone "way overboard in the attention and resources they give to high school sports." Nathan also argues the media, particularly in the Twin Cities area, has contributed to the problem, "by giving pages and pages of coverage to high school sports and practically no coverage to non-sports extracurricular activities and academics."

From its beginning in the 1980s, Minnesota's pioneering open enrollment program has raised fears that student athletes would be recruited from one district to another.

Nathan said he's a strong advocate of youth fitness and sports himself, but that he's open to more fundamental changes like those proposed by state Representatives Mark Buesgens (R-Jordan) and Mindy Greiling (D-Roseville). Their legislation would shift governance and funding responsibilities for what are now high school-sponsored extracurricular activities to city and other local governments.

"My goal," Greiling said last spring prior to a House hearing on her bill, "is to have more extracurriculars for all comers, where everyone can play." She said schools should focus on intramural or other sports and fitness programs that attract broad participation by students, leaving more competitive teams to others in the community to manage.

The Buesgens-Greiling proposal ran into a storm of protest from coaches, athletic directors, student athletes and parents during its initial airing last spring and isn't being seriously pushed in the current legislative session.

Regardless, Nathan thinks smaller charter or district schools could help demonstrate new approaches and attitudes about sports and other extracurricular activities.

"In my ideal world," Nathan said, "things like fitness, nutrition, good sportsmanship and teamwork would be part of every school's curriculum. There shouldn't be anything 'extra' about it. And these activities should be used to help kids learn habits and values and skills that will stick with them throughout their lives." ●

Jon Schroeder is the coordinator of Education/Evolving, a joint venture of the Center for Policy Studies and Hamline University.

Faribault and Austin/Lyle
Two community youth sports models worth noting

As some education policy leaders seek new models for organizing sports and other extracurricular activities, two sets of school communities in southern Minnesota might offer some worthwhile advice.

The first is Faribault, which arguably has more different cooperative arrangements for high school sports teams than any other school community in the state.

One key player in this tangle of relationships is Ed Friesen, athletic director for Bethlehem Academy, a 175-student Catholic high school. According to Friesen, Bethlehem has several sets of arrangements that allow his students to participate in 26 different high school sports.

Fourteen of those sports are offered through cooperative agreements with the Faribault district high school. The other 12 are based at Bethlehem or involve cooperative agreements with three other high schools in the city: Shattuck-St. Mary's Academy, a private boarding school; the state-sponsored Minnesota Academy for the Deaf; and Discovery Public (charter) School of Faribault. The spring sports—including baseball, softball and track—even have their own, separate identity as "Faribault Academies."

Also of note is the decade-long partnership that's evolved between Austin Pacelli, a Catholic High School, the Austin district high school and tiny Lyle (public) High School, 12 miles south on the Iowa state line.

Like the Faribault arrangements, this partnership makes it possible for two small high schools—Pacelli and Lyle—to offer many more high school sports opportunities than either could organize or afford on their own.

According to Pacelli/Lyle Athletic Director Steve Bauman, Pacelli students get the most options through their school's separate cooperative agreements with Austin's district high school for five sports and the partnership with Lyle, which includes 12 others. Unlike the Faribault arrangements, neither Pacelli nor Lyle have sports teams on their own—all are partnerships with each other or, in Pacelli's case, with the Austin district high school.

A quick check of the Pacelli web site makes it clear this public/private partnership is for real—Pacelli students standing on their school steps proudly wearing green and white jackets with their "L/P" letters signifying the Lyle-Pacelli "Athletics."

Bauman said there was some tension among parents when the Lyle/Pacelli partnership started, "but the kids got along fine, right from the start."

"Before long," Bauman said, "nearly everybody figured out this was the only way that either of these schools was going to hold onto their students and maintain their teams."

05/18

Save The Date

Mind Opener: Expanding Medical Facilities in Minnesota — Developing a Consumer Voice

Presenting the results of the Citizens League Study Committee on Medical Facility Expansion. Everyone from the state to 3M to your family "buys" health care. How do we develop the consumer voice when it comes to medical facilities?

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The Minnesota Journal
Publisher – Sean Kershaw
Editor – J. Trout Lowen
Managing Editors – Bob DeBoer and Victoria Ford
Contributing Editor – Ted Kolderie

The Minnesota Journal (ISSN 0741-9449) is a publication of the Citizens League, a nonprofit nonpartisan Twin Cities public affairs organization, 555 North Wabasha St., Suite 240, St. Paul, MN 55102. Phone: (651) 293-0575. Fax: (651) 293-0576. E-mail: info@citizensleague.net. Website: www.citizensleague.net. Tom Horner, chair.

Articles and commentary are drawn from a broad range of perspectives and do not necessarily reflect Citizens League positions on policy questions. The Journal is published once a month. Periodicals postage paid at St. Paul, MN and additional offices.

Annual subscription rate for nonmembers is $40 for 11 issues. Orders may be placed at (651) 293-0575 or by mail at the above address.

Postmaster: Send address changes to the Minnesota Journal, 555 North Wabasha St., Suite 240, St. Paul, MN 55102.

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MN JOURNAL

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