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A publication of the Citizens League

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Volume 8, Number 13
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MCHA financial base narrowed as more employers self-insure

A review of enrollment in major health plans in the state indicates that more Minnesota employers are turning to self-insurance for their employee health-benefit plans. As a result, the base of support for the Minnesota Comprehensive Health Association (MCHA)—the state's risk health-insurance pool—is narrowing, even as the plan's losses increase.

The trend toward self-insurance also provides one explanation for the large surpluses posted in 1990 by health-maintenance organizations (HMOs) in the state and Blue Cross and Blue Shield of Minnesota (BCBSM).

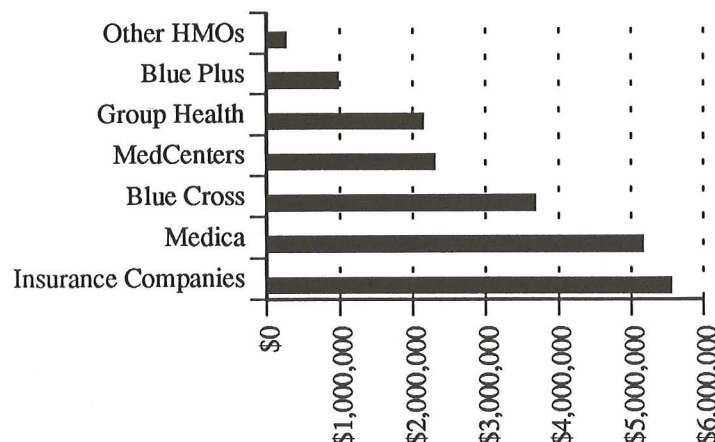
The 11 HMOs in the state had surpluses of about \$57.8 million, compared with \$27.5 million a year earlier. BCBSM netted \$18.2 million in 1990, an increase of \$3.4 million over 1989. Both types of plans are expanding their involvement with self-insurance and have obvious incentives to guide certain types of groups into self-insurance options.

Self-insured plans are used by employers to assume the risk of their employees' health-care costs. A 1987 survey of Minnesota employers by the Legislative Auditor's Office found that almost one-fourth of all employees in the state were covered by self-insured plans.

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by Allan Baumgarten

1991 Interim MCHA Assessments



Historical Society faces big change in new Center

by Stephen Alnes

The new \$74 million Minnesota History Center rising alongside I-94 in St. Paul will have a dramatic visual impact on the Capitol-Cathedral-Downtown scene. It will have a comparable effect on the operations of its owner, the Minnesota Historical Society (MHS).

Nina Archabal, the Society's director, recalled a conversation with

Arthur Erickson, a noted Canadian architect who was a member of the team that selected the winning design for the giant structure (by Hammel Green & Abrahamson, Inc.).

"He said, 'This building will change this institution in ways you have not yet begun to imagine.'"

Continued on Page 7

Shannon: 3d sector shows how

By James P. Shannon

We have had some difficulty finding the correct generic name to describe what it is that we do as grantseekers or grantmakers. We are variously called nonprofits, the third sector, the voluntary sector or the independent sector. None of these titles perfectly describes our work.

Management consultant Peter F. Drucker, in a June 1989 interview in *The Chronicle of Philanthropy*, held that, of the three sectors in our society—government, business and the voluntary sector—the voluntary sector holds out the greatest promise of being flexible enough, creative enough and compassion-

Adapted from a speech delivered in accepting the A.A. Heckman Community Service Award presented by the Minnesota Council on Foundations. The full text is available from the Council, 425 Peavey Bldg., Minneapolis 55402, for \$3.

ate enough to come up with workable answers to the complex dilemmas of finance, service and governance confronting our troubled, debt-ridden and timid society.

Continued on Page 6

Minnesota Journal seeks new funding, new editor

This spring marks the seventh anniversary of our publishing the *Minnesota Journal*. If you're a regular reader, you've noticed that it comes faithfully 22 times each year. Our partnership with Stephen Alnes, its founding editor, has been so productive that we hear more favorable comments about the *Journal* than anything else we do. The renewal of our contract with Alnes Resources has become a routine annual formality.

So why mark the seventh anniversary as so special? Particularly at high season for legislative decisions when you usually find us launching our last opinion missile toward St. Paul?

Because Steve Alnes says this year is his last as editor.

He will retire at the end of 1991, and that precipitates a major transitional challenge for us.

There'll be time and space to say more about Steve in the coming months. But there's no question that it has been his ceaseless creativity, his dogged determination to stick to the niche we carved out, his professional discipline for meeting standards—including, of course, each of those deadlines—that has made the *Journal* a publication of considerable standing in the community.

We all took pride in seeing him honored last year by the Premack award for career contributions in journalism.

I recall the skeptics seven years

The Minnesota Journal

Publisher — Curtis W. Johnson
Editor — Stephen Alnes
Associate Editor — Jody A. Hauer
Contributing Editor — Ted Kolderie

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A Note from the Publisher

by Curtis W. Johnson

ago who said that it all sounded like a good idea, but they couldn't see mixing this strong-willed senior opinion-purveyor in with the equally strong-willed bunch at the League. Just wouldn't last, they said.

Well, it has. And we're proud of what our partnership has produced. No job is all pleasure. But the "Journal" part of mine—largely because of Alnes—has been. My name may appear above his in the masthead, but he was teaching me something every month.

So we're pleased, proud and sad all at once. But we have to carry on. We can certainly find a new editor. I predict a strong field of candidates who can build on these formative years.

But that is not our only challenge. We must also find a new formula

for financial support for the *Journal*. A couple of years ago we reported to you, among many results of a membership survey, that 85 percent of you say you read the *Journal* regularly, with 84 percent having a favorable impression of what you find.

What we've not told you until now is how much it costs to publish the *Journal*—about \$110,000 a year, \$50,000 of which has come from outside sources and the remainder from the League's operating budget. The McKnight Foundation contributed the most support over the longest period. All that support expires this fall, and we cannot reasonably expect it to continue.

So, as membership organizations do, we've formed a special committee to lay strategy for the future. Kent Eklund from our board is its

chair; also serving are Board Directors Ellen Brown and Carol Kerner and two members of the Marketing and Communications Committee, Margaret Lulic and Dick Moberg.

The Eklund committee is considering options for dealing with these special *Journal* challenges. It believes the *Journal* is strategically important to the League. The committee has been developing plans to deal with the short-term problems, as well as looking ahead to the long-range future of the *Journal*.

Your suggestions to the committee are welcome.

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338-0791

Not insuring also carries cost

Sen. Linda Berglin, DFL-Minneapolis, chief Senate author of a bill to provide health insurance to the uninsured, at Citizens League meeting May 7.

One of the things that we always need to remember whenever we're thinking about health-care access...is how much is it going to cost...I always like to remind people of what it's costing us now to provide health care for uninsured for the system that we have now...

It's costing us around \$451 million. Those are dollars that we pay through our own health-insurance premiums...and through tax dollars for other programs that help the near-poor to be able to afford some forms of public assistance for health care.

We provide that \$451 million, some of it in a very wasteful way... Most of the time, people in this country have a very difficult time, if they don't have health-care insurance, getting access to early and preventive care. And that is the time at which you can prevent problems by spending the least amount of money on health care.

Controlling the cost of health care in the future for all of us goes kind of hand in glove with the idea that we need to provide affordable access to a reasonable level of primary care... To the extent that we don't have a mechanism to provide affordable... access to basic health care, we don't know in the future to what extent that uninsured population will grow and to what extent the rest of the system will be asked to pick up those costs. And so trying to control the costs of the system itself becomes very difficult when you have this large unknown quantity out there that the rest of the system has to always be taking care of...

The state, along with the private sector, would be collecting data about health outcomes, and we would be using that data to write into our contracts performance standards that would guarantee that we would be using the most efficient health care possible. Right now, we know some things that are pretty clear... It seems curious that we would have a very much higher caesarean rate in one part of the state than we would in another part of the state for a population that

would have the same age and otherwise have the same characteristics. We believe that by getting this kind of data on a statewide basis that we will be able to save money in our health-care system for everyone...

We (propose) that there be an advisory committee made up of people from the public and private sector that would make recommendations to the commissioner of health about setting a cap on the amount of growth of expenditures for health care in the state as a whole. We believe that...in combination with other tools that we would have—controlling growth in the use of technology, using data to more effectively and efficiently provide health care—having an overall target for what the growth of the health-care expenditure dollar in our state should be will help to control the cost of health care...

I would hate to be one of those people who said, "I'm going to wait...until we can afford it."...I'm afraid that if we do that, we'll all be sitting around wondering how we're going to be able to provide health care for any of us in the future.

Environmental 'knee-jerk' reactions decried

Red Wing Republican Eagle said (April 30) proposals to ban incineration of trash "are knee-jerk reactions (of) strident environmentalists who refuse to compromise." It added that incinerators can operate safely, as evidenced by Red Wing's burner.

Mankato Free Press said (May 3) the idea of combining the Mankato Police Department and the Blue Earth County Sheriff's Department "makes superb sense for everyone."

St. Cloud Times said (May 2) the state should listen to what State University System Chancellor Robert Carothers says now about seeking quality in higher education rather than his earlier message about quantity.

Hibbing Tribune said (May 1) that, even if Northwest Airlines were not looking for a maintenance facility in Minnesota, it "wouldn't be a bad idea to invest state pension funds into industries that are based in the state." The airline had asked the state to invest

On Balance

Minnesota editors weigh in from way out with heavy thoughts and a light touch.

\$200 million from public-employee pension funds in the company.

Star Tribune said (May 5) Minnesota should get something more than jobs if it gives Northwest Airlines what it wants to establish maintenance bases at Duluth and Hibbing. It said Northwest should provide guarantees of noise abatement and that Minnesota public funding not be used to develop airport hubs in other states or to fatten executive salaries.

St. Cloud Times said (May 7) if Minnesota "didn't have such a prohibitive business climate, the state might not have to turn cartwheels in order to lure new development."

West Central Tribune said (April 29) the growing disparity between rural and urban areas in Minnesota

"must be reversed" if Minnesota is to "continue as a leader in economic vitality and quality of life."

Brainerd Dispatch said (May 5) that the "anguished spluttering" of Atty. Gen. Hubert Humphrey III over WCCO-TV's reports on people who resumed criminal activities after receiving pardons is "a sure sign that an investigative piece has hit its mark."

Hibbing Tribune said (May 3) the Iron Range needs a four-year college and should "press ahead" for an "Arrowhead University Center" financed with taconite-tax money even though experts say there are too many colleges and universities in the state.

Brainerd Dispatch said (May 7) "it's about time" more emphasis is put on user taxes at the state and local level as one way to hold

down income and property taxes.

Princeton Union-Eagle's Elmer L. Andersen said (May 9) the decision by the DFL legislative leaders to keep Independent-Republicans off the tax conference committee was "arrogant and callous."

Pioneer Press said (April 30) that Frank Gallegos, human rights commissioner, should drop an "autocratic approach" to his job. It said he "has given the appearance of believing there are some circumstances where the ends justify the means."

Worthington Globe said (April 30) Minnesota should give law-enforcement officials the power to stop motorists they observe not wearing safety belts.

Mankato Free Press said (May 8) cigarettes should be taxed out of existence. The loss in revenue would be more than made up through better health.

Toxics bigger problem in packaging than bulk

Rep. Jean Wagenius, DFL-Minneapolis, at Citizens League meeting April 30.

The state as a collective manages about 4.2 million tons of...garbage each year; 1.3 million tons, or one-third of the total, is packaging. Of that, 300,000 to 330,000 tons...is recycled...The bottom line is we have a million tons of packaging...being finally disposed of and not recycled each year...

Of the 150 or so landfills in the state, 60 are on the Superfund list. Twenty-six of these are still open and operating. Everybody I know expects when the remainder of the landfills are tested, they, too, will end up on the Superfund list...The estimates for cleanup for landfills are between \$200 million and \$600 million. And that's just the ones on the Superfund list...

So...and will run out of money in the next biennium...We have to look for alternatives. Packaging with its sheer bulk, with its pretty blatant over-packaging, is the current target. We have already hit the

easier bulk targets, like glass and aluminum. And our new targets are going to be much harder to deal with...

From a disposal point of view, packaging adds a great deal of bulk and a portion of toxicity to our waste stream...The bulk of glass and aluminum is relatively easy to deal with. And, indeed, if all our packaging were in these two categories, we would really have virtually no disposal problems in the state...

It's virtually impossible to recycle all of the multilayered and multi-material packaging that's going into our waste stream right now. Toxicity is the other big disposal issue. And there are two problems here. One is toxicity in packaging itself...The other is...what sticks to packaging when you put it in the waste stream—a bit of oil here, some paint there, a little bit of leftover solvent, little bit of deodorant...

In my judgment, if we could deal with toxicity, or a large portion of

it, the bulk question in our waste stream would no longer be an issue, or it certainly wouldn't be the issue it is now. We could bury or burn without a lot of hassle...

SCOPE (Select Committee on Packaging and the Environment) took on both the bulk and the toxicity issue. It first established a goal...to reduce packaging discards by 25 percent by...1994...The techniques are actual reduction in packaging, encouraging industry to reduce the bulk, and substantial, and I mean very substantial, recycling...

The problem is, of course, cost, and it is the problem that was not happily resolved in SCOPE. One proposal was to institute statewide volume or weight-based pricing. I believe that's a good solution, but it's a partial solution only. And I think that that's going to be enacted fairly soon...

If the current estimates hold true and the 25 percent reduction goal were achieved, (staff figured that under the SCOPE proposal) tax-

payers would need to subsidize recycling by an estimated \$96 million per year by the year 1994.

Counties are clearly unwilling and probably unable to pay this cost...So in order to fund the additional recycling recommended by SCOPE, we also recommended a tax on toxics to pay for their special cost with the understanding that if toxics began to pay for themselves...then enough monies would be freed up to pay for recycling.

The toxics that we chose are those that now show up in the landfill leachates in over 50 percent of the landfills tested. There are nine metals, 19 organics...Staff estimated that each year Minnesota consumes 89 million pounds of them in the consumer market...The way I view waste management now is (that it) is to the states...the same as savings and loans are to the federal government. We have a huge unfunded liability which continues to grow. We understand the problem, but we haven't yet dealt with it squarely.

Gov. Carlson vetoes DFL tax legislation

Gov. Carlson vetoed a DFL tax bill that would have raised \$482 million in new taxes for two years. Carlson said the bill continued spending practices of the past and contained the makings of a serious financial crisis in the future. The bill also would have taken more money from the budget reserve than the governor wanted.

The \$900 million in financing Minnesota is asked to put up to get Northwest Airlines to locate two jet maintenance bases in the state began to raise some eyebrows.

The March FoodShare Campaign brought in 3.6 million pounds of food, exceeding the goal by 16 percent and last year's total by 12 percent.

The Twin Cities were selected as one of 12 metropolitan areas in the world conduct a 10-year program to reduce the amount of carbon dioxide going into the atmosphere.

Mayor Scheibel vetoed a pension bonus, the so-called 13th check, for retired police and fire-fighting personnel, citing the city's budget crisis.

St. Paul City Council passed a policy under which it would replace any park space lost to development.

Marlene Marschall, president and chief executive officer of St. Paul-Ramsey Medical Center, was appointed state health commissioner by Gov. Carlson.

Star Tribune said Market Opinion Research reported the Sunday *Star Tribune* is read by 64 percent of all

Career politics

John Brandl, University of Minnesota professor and former state legislator, in the Star Tribune May 6.

In our day, more and more legislators are making politics a career, thus increasing their susceptibility to self-protective timidity. They need the job, so they might be careful not to step on the toes of demanding interest groups, big contributors, pushy neighbors. The overriding problem with the Minnesota Legislature today is the tendency toward self-interested and provincial behavior by its members.

Keeping Up

As the Legislature neared the end of the session, your editors could not wait to tell you the following.

metro adults over 18 and the *Pioneer Press* is read by 27 percent. The daily *Star Tribune* is read by 50 percent of all metro adults, and the *Pioneer Press* daily is read by 23 percent.

Brainerd School District approved the merger of the Brainerd and Staples Technical Colleges.

Brainerd School District named Craig Oliver as the next president of Brainerd Technical College. **The University of Minnesota** appointed Nan Wilhelmson acting chancellor of the Waseca campus for its last year of operation. **Granite Falls and Clarkfield School Boards** offered the superintendent job to Donovan Odegard.

St. Cloud City Council reversed its decision to withdraw from the Area Planning Organization. That organization removed its plan to create a tax district for funding.

Blue Earth County and Mankato City officials are studying a merger of the police and sheriff departments. They are also discussing combining office space.

The Fairview Hospitals board approved a plan to construct a new \$10 million hospital near Princeton. **The Falls Memorial Hospital** in International Falls reported a steadily improving financial situation in 1990. **Sioux Valley Hospital** of South Dakota took over the management of the Tracy Municipal Hospital. **Parkers Prairie Hospital** is closing.

The Naeve Health Care Association of Albert Lea reversed an earlier decision and voted to reopen the Winnebago Adolescent Treatment Center of Blue Earth United Hospital. **St. Cloud Hospital** will cut services and staff in its chemical-dependency unit. **Investment officials** cancelled the bond sale planned by Mountain Lake to bail out its financially troubled hospital.

Health One said it will sell most of Metropolitan-Mount Sinai Medical Center to Hennepin County, which operates the adjacent County Medical Center.

The Shakopee Mdewakanton Sioux announced plans for a \$14.8 million expansion that would make the Prior Lake Little 6 gambling casino the largest in the state.

The Pace Dairy Food Co. of Rochester leaked 1,300 gallons of heating oil into the city's sewers.

Otter Tail County Board passed a resolution opposing a garbage-storage facility to hold waste for the Fergus Falls incinerator.

Benson voters approved a \$250,000 bond issue for a library addition.

Parents in Rollingstone began a \$100,000 pledge drive to persuade Winona School Board to plan a referendum for a new elementary school.

Twin Cities & Western, a new regional railroad company, reached agreement to buy 145 miles of Soo Line tracks from Hopkins to Appleton.

A group of shippers plans to file suit against the Interstate Commerce Commission's decision to abandon the railroad track between Avon and Fergus Falls. **Nobles and Rock County officials** received a tentative agreement to allow them to purchase 41 miles of railway that would otherwise be abandoned.

Expenses questionable

From the Department of Human Rights Financial Audit by the Financial Audit Division of the Office of the Legislative Auditor, May 1991.

Controls over the annual employee awards banquet require improvement. The department incurred some questionable expenses for its annual employee awards banquet... The awards consisted of such items as carry-on luggage, shower massagers, dustbusters, lanterns, grills, golf balls, woks, coffeemakers, crock pots, sleeping bags, etc...

We question the public purpose

Willmar City Council tabled plans for a new airport pending the outcome of an economic-impact study.

Aitkin County employees ended their five-week strike.

The city and town of Fergus Falls ratified an annexation agreement needed to develop a motorized speedway.

ConAgra closed its blue-cheese factory at Faribault at a cost of 20 jobs. Part of the plant will be used to repackage Wisconsin cheese. **Lampert Building Centers** in New Ulm and St. Peter are among 17 of the 41 Lampert stores to be closed in the Midwest.

Kandiyohi County Board voted to return the beach rafts and diving towers it had removed last fall because of liability concerns.

Winona County agreed to a settlement requiring Houston and Wabasha Counties each to pay \$40,000 for the planning costs of a garbage incinerator that was never built.

Hibbing City Council decided against rescinding its vote to tear down the 72-year old Androy Hotel.

As the result of a citizen petition objecting to the tree-cutting in a road-reconstruction project near Princeton, the Environmental Quality Board asked the Department of Transportation to determine whether an environmental worksheet is needed for the project.

provided by the types of items purchased by Human Rights and the practice of purchasing an item for every employee in the department. The department should work with Finance and Employee Relations to develop a more formalized annual awards banquet, including more appropriate types of awards.

Controls over receipts processing need improvement. First, the department does not promptly file its receipts with the state treasurer... Second, the department does not record civil penalty checks on a receipts log.

Insurance

Continued from Page 1

Many employers feel that self-insuring allows them to better manage their health-care costs, especially because federal law generally preempts state regulation of self-insured plans. By self-insuring, employers have better control of their cash flow, can offer benefit plans that do not include all benefits mandated under state law for regulated plans and can avoid state premium taxes. The downside risk for the employer is that claims could be very high, although this exposure can be limited by buying stop-loss coverage.

Avoiding MCHA assessments is another reason to self-insure. MCHA's losses in recent years have been high, because claims paid are twice as much as premium income. MCHA's losses are recovered through an assessment against HMOs, BCBSM and indemnity insurance companies, in proportion to their premium revenues.

In April, MCHA assessed \$20 million as an interim assessment for 1990. Based on the record of previous years, the final assessment for the year is likely to be even higher. The graph on Page 1 shows how HMOs and BCBSM will pay almost 75 percent of that amount. Medica, the HMO formed by PHP and Share, will alone pay \$5.2 million.

Local health plan managers agreed that the "minimum" size of self-insuring groups has dropped dramatically in recent years. Only a few years ago, the conventional wisdom held that a minimum of 500 employees was needed for a



self-insured group. That floor has dropped steadily, and now it is not unusual to find groups of fewer than 100 or even 50 employees choosing to self-insure.

The table below shows self-insured enrollment at five area preferred-provider arrangements (PPOs) has grown significantly in the past two years. (Note that these data are reported by the PPOs, and that counting PPO enrollment is still more an art than a science.) Preferred One and Select Care are sponsored by local hospital systems, while Family Health Plan is investor-owned.

All three also work with insured plans. Physicians Health Choice is an affiliate of PHP. Other HMOs, including Group Health, MedCenters (through its Aetna management company) and NWNL Health Network, are also offering their own PPO plans for self-insured clients.

Reported Self-Insured Enrollment

	1988	1990
Blue Cross	119,040	299,274
Family Health Plan	71,774	72,188
Physicians Health Choice	37,610	47,035
Preferred One	66,000	123,000
Select Care	85,500	99,000
TOTAL	379,924	640,497

HMOs and other insurers may find it desirable to convert money-losing insured groups into self-insured ones. Blue Cross and Blue Shield of Minnesota's mix of busi-

ness since 1988 may provide the clearest example. As shown in the table, BCBSM is the largest administrator of self-insured plans, managing plans for about 300,000 individuals. That is 28.3 percent of its total membership, including its Blue Plus HMO, compared with 11.4 percent in 1988.

From 1988 to 1990, enrollment in BCBSM's regulated plans dropped by 164,000. According to BCBSM, most of them converted to self-insured plans. BCBSM's marketing strategy is not to steer employers to self-insurance, but to help the client choose the benefit design that best meets the client's needs. BCBSM improved the combined surplus of its plans from \$4.7 million in 1988 to \$21.9 million in 1990.

Because of concerns about the fiscal stability of HMOs in years when large losses were common, the 1988 Legislature enacted more stringent net worth requirements, to be phased in over five years. By the end of 1993, all HMOs will be required to have reserves equal to one month of expenses or \$1 million, whichever is larger.

While all HMOs have apparently met their 1990 requirement for minimum net worth, several small HMOs still can only comply because parent or affiliate organizations have agreed to guarantee their net worth. Of the four largest HMOs, only Share does not now have enough reserves to meet the 1993 standard.

Two related developments in Minnesota's managed-care marketplace demonstrate how different health-plan companies are offering very similar plans. First,

PPOs are now incorporating some of the managed-care controls associated with HMOs. NWNL Health Network offers a PPO plan that requires designation of a primary-care physician who exercises some control over referrals to specialists.

In addition, at least two PPOs in town are now working with insurance carriers to develop similar "gatekeeper" plans: Select Care and Travelers Insurance Co. are working together, as are Family Health Plan and Metropolitan Life. Regulators at the Minnesota Department of Commerce, who have objected to such plans in the past, have indicated their willingness to approve such plans if appropriate disclosures are made and consumer protections included.

The second development is that, at the same time that PPOs are incorporating features associated with HMOs, several HMOs continue to promote their wraparound plans. These plans provide full HMO benefits from the HMO's network of providers and reduced coverage outside the network. According to InterStudy, the Excelsior-based health policy think tank, enrollment in HMO wrap-around plans increased to 381,000 as of July 1990. That is about 35 percent of total HMO enrollment in the state.

Allan Baumgarten is associate director of the Citizens League. This article is based on a new Citizens League report, Minnesota Managed Care Review 1991, to be published this month.

Lucky, indeed

From the Minnesota House of Representatives Journal, Report of the Tax Revision Committee, 1933, the year the state adopted an income tax.

A reasonable income tax will not deprive any citizen of the necessities of life. Under present conditions few, if any, farmers have a net income and thousands of homeowners are unemployed; yet they are charged with enormous taxes. Most property is nonproductive, but is taxed at a high rate. No citizen will be required to pay an income tax unless at the end of the year, after deductions and exemptions have been made, there is a taxable net income left. A person who has to pay an income tax will be lucky.

Shearing

George Rice in the Red Wing Republican Eagle May 2.

Researchers in Australia, the wool capital of the world, are close to perfecting a method by which the fleece will not have to be sheared, but will virtually fall off sheep. The development should interest the Minnesota Legislature and nearly every other legislature in the country. How do you develop a tax system in which the taxpayer doesn't have to be "sheared," but in which the tax revenues just "fall" off the victims—er—citizens?

Shannon

Continued from Page 1

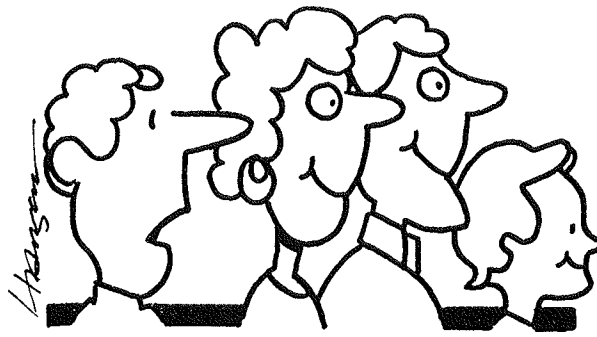
In his view, "Nonprofit organizations are leagues ahead of businesses in learning how to motivate people without the use of promotions and raises." Drucker bristles at the notion that nonprofit organizations have a lot to learn from business about how to be better managed. He firmly believes that many nonprofit organizations could teach corporate leaders a lot about how to manage people as colleagues, not subordinates.

He also sees the voluntary sector as a counterculture, different and separate from both the governmental and the business sectors and from the values and the cultures that drive these two sectors. He believes the voluntary sector is made up of human-change institutions, is the fastest-growing part of American society and that its members are rightly becoming known as management innovators and management pioneers.

As many of us know, there has been an tendency in the folklore of our culture to assume that persons who give their lives to service in the nonprofit sector are warm-hearted, soft-headed and probably not able to "cut it" in the corporate world. To the extent that this pejorative view of our line of work ever was correct, I submit that with every passing day it is less and less accurate.

Just within our geographic sector, local nonprofit agencies have recruited entrepreneurs of the stature of Joe Selvaggio, Kathy Keeley, Wilko Schoenbaum, Jacqueline Reis, Peter Bell, Brenda Draves, Hoang Tran and Mary Jo Copeland. These "do-gooders" turned entrepreneurs have written whole new chapters in the book on how to motivate good people to make good things happen for the poor, the handicapped, the disenfranchised and the alienated. Small wonder that Drucker considers this sector the hope of the future.

The problems confronting our global and national society today are too complex to be addressed adequately or creatively either by government or by business. Business, increasingly preoccupied globally with the threat of Japanese competition and domestically with the threat of takeovers, friendly or unfriendly, is now seldom in the position it once was to work or to worry about matters affecting the common good.



"Who were those people wearing white hats and 3rd Sector buttons? . . . I wanted to thank them!"

And government at every level seems to find the task of legislating increasingly complicated, partisan, adversarial and frustrating. Witness the current difficulty in Congress and in almost every state legislature to reconcile factional conflicts, competing single-issue advocates and reasonable but sharply different views on how much and where to impose new taxes.

For the past decade federal policy has been schizophrenic in its address to this sector. On the one hand, federal laws and regulations have increasingly used the "hand-off play" to transfer to the voluntary sector a host of services once funded by federal dollars; but at the same time, these new statutes and regulations have put added burdens on the freedom and the flexibility of our sector.

Fortunately, voices like the Council on Foundations and The Independent Sector have lobbied successfully to lessen or defeat many of these well-intentioned federal efforts that would have hobbled us just as we were being asked to take on greater portions of services once deemed the province of government.

One of the happiest results of this lobbying done on our behalf is that the federal government has now rewritten and relaxed many of the old rules that limited our right, especially as grantseekers, to lobby on behalf of our programs and our vision. With new, clearer and better definitions of what is and is not prohibited lobbying, we now have the opportunity to use our experience, our passion, our "street smarts" and our commitment to teach in the public forum and to lobby in the halls of government.

Given this welcome new freedom, I would suggest that one of the central topics for our public dialog is the current unconscionable disproportion between what our fed-

eral government spends on its military budget and for interest on our monstrous national debt, as compared with what we spend for health care, education, job-training and for reasonable replacement of the crumbling infrastructures of our states, counties and cities.

One great value of the voluntary sector is that it gives a legitimate public forum to express our outrage. Unfortunately, in my view, we have become a timid people. We seldom have any outrage to express. The passion that fueled our dedication to civil rights, to voter registration and to equal opportunity in the 60s and 70s has fizzled.

I would rather be in our line of work than any other occupation I know, and I would rather be doing this work here than anywhere else. There is a cultural tradition here that puts a high premium on a citizen's duty to help the neighbors. There is a well-rooted populist sentiment here that holds elected officials accountable for serving the public interest, not just their private interest or the single-issue concerns of their constituents.

There is a corporate tradition here that expects business leaders and elected officials to value civil dialog in their mutual efforts to advance the public interest. There is a consensus here among the citizenry that persons of authority in either the public or the private sector are accountable to community standards of ethical behavior and that persons who violate these standards should be sacked.

There is a tradition here that holds to the belief that the nonprofit sector is an integral part of private enterprise and that any person of courage and vision has the right to start up his or her own nonprofit agency. Implicit, of course, in this right is the correlative right of

going belly-up in the nonprofit sector just as we can in the for-profit sector.

There is a tradition here that puts a high premium on the value of education and of respect for those persons who make education possible. There is a practice here that favors lateral conversation among peers that is esteemed more than directive or vertical conversation from the top down.

There is an awareness here that no one is born a good citizen. The role of a weight-bearing citizen in a democratic society must be learned from others who somehow got the hang of it before we came along.

We have a population base known for the caliber of its work ethic. We probably have more volunteers per square acre than any other region our size in the world. We have acquired and refined an instinct for how to recruit, train, respect, empower and retain volunteers in our nonprofit operations.

In order to end this hopeful list on a note of realistic but friendly criticism, I must also cite the caveat in the otherwise favorable description of Minnesota by Neal Peirce and Jerry Hagstrom in their work, called *The Book of America*. In addition to a number of fine attributes, Minnesotans also, they said, have a "certain smugness, insularity" and a desire to keep "other" people at arm's length.

In our desire to think positively about our resources in the voluntary sector as we face a new decade and the 21st Century, we should keep that caveat in mind. There is growing evidence that racism has taken root among us, as Peirce and Hagstrom noted as early as 1983. It would be a tragedy if social cancer of this kind should be allowed to spread or compromise the admirable record made in this state by our forebears or to undercut all the good that we might accomplish together in the future to make a good life possible for more of our citizens in this state that has been so richly blessed.

We are known as a people committed to building healthy communities. We have done it. We are doing it. We can do it even better.

James P. Shannon is retired executive director of the General Mills Foundation and former chair of both the Minnesota and national Council on Foundations.

History

Continued from Page 1

SAYS Archabal now, "I didn't know he meant at the time, and I'm not really sure now."

"But I think he was talking both about the effect on our lives of the kind of monumental architecture that is involved...as well as the specific programmatic things that we will be able to do in the new building that we'd not been able to do in our other facilities...And clearly our relationship with the public changes when we are as conspicuous in the community as we will inevitably be."

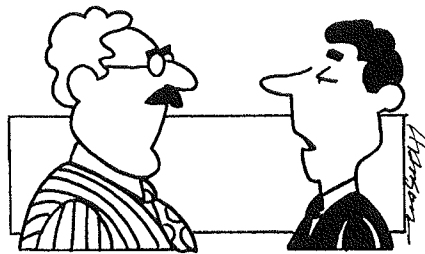
Determining how the institution will change almost has to start with the structure itself—its size, its appearance and its location. At 427,000 gross square feet, the structure will be larger than either the Capitol (289,000 gross square feet) or the Transportation Building (356,000 gross square feet), according to the Capitol Area Architecture and Planning Board. Approximately midway between the Capitol and the Cathedral, it will invite comparisons with those historic edifices.

The building's size and design are condemned by some who see them as unwarranted overstatement and praised by others who see them as a wholly appropriate and even an elegant symbol of the state's heritage.

Kennon Rothchild, St. Paul businessman who has served as president of the Historical Society for five years, said the board and staff "worry a lot" that the Center will unduly dominate the perception of the Society.

Obviously, he said, the Center is a function of, grew out of, the state and its history rather than the other way around. But the size and architectural grandeur of the structure may skew the understanding of that reality, he said. It was during Rothchild's tenure that \$14 million in private funds was raised and \$60 million in state money made available to pay for the land, the building, equipment and exhibition construction for the Center.

Archabal added that the new building is a strong affirmation of a trend that began with the state's centennial celebration in 1958 and that has seen the organization's focus shift gradually from being



"... Who cares about the past, present and future of ordinary folks?... Ordinary folks."

primarily an institution for scholars to one that is increasingly used by the general public.

The centennial naturally intensified interest in state history, but 1958 was also the year that the Society acquired its first historic site, Archabal said. That decision, "and the subsequent experience of bringing history to life by interaction" between visitors and staff at the historic sites, have changed the way the organization sees itself and the way the public sees it.

"We developed a whole new orientation with the public when we developed Fort Snelling, for example," she added. "We went from serving a relatively small number of people who came with special interests to serving a very large general public." More than 700,000 people visited the Society's 20 historic sites last year.

The move from current headquarters at 690 Cedar St. to the new address at 160 John Ireland Blvd. will take place in the spring of 1992. Archabal said she expects the building to be open to the public later that year. The current headquarters and a new addition house or will house the State Supreme Court, the State Court of Appeals, the Tax Court, the Workers' Compensation Court of Appeals, the Lawyers Professional Responsibility Board and other offices.

The Society's library at 690 Cedar St. and its huge collection of government records, personal files of prominent people and artifacts stored at 1500 Mississippi St. will be moved into the new History Center along with other material maintained at other rented sites around St. Paul. But big as the new building is, it still won't be large enough to house some of the larger items in the Society's possession—vehicles, for example. Some of those will be moved to 1500 Mississippi.

The new structure will provide "much better access to the collections" of the Society, Archabal

said. "Today, to use our collections, you go to four or five different reading rooms, to separate buildings." In the new building, all of the collections in what *Pioneer Press* architectural writer Larry Millett refers to approvingly as "Minnesota's attic" will be accessible from one central point.

In addition, Archabal said, "the Society has had a small but very distinguished exhibition program that has essentially developed over the past 10 years. In the History Center we will have very appropriate space for that museum program, and we will be able to have, for the first time, sufficient space to have long-term exhibitions... We have about 42,000 square feet of exhibition space with high ceilings and a floor that will support heavy objects."

There will be one whole wing dedicated to education, with classroom space, a bag-lunch room for visiting classes, a lobby in which touring classes can assemble, even a museum shop stocked with items intended to appeal to young people, Archabal said. The Center also will offer some amenities, among them a restaurant and a place for visitors to store their belongings while they tour the building.

As a part of preparing for life in the new Center, the Society conducted a sidewalk poll of 405 individuals to get a sense of what they expected to see there.

"Probably the most important thing we learned, and it shouldn't be too surprising, is that they are interested in the lives of ordinary people, that we ought not to assume that they're only interested in great leaders and political history, which has been where history in the past has focused a lot of attention," Archabal said.

The Society also learned from its survey that people accept the idea that there are different ways to look at the past, that "there is not some objective history that they

are expecting to find there." What was surprising, Archabal said, was that people had a "rather discontinuous sense of time... They understand themselves in the present and understand the past, but do not understand the continuum that connects their experience with historical time."

That sense, she said, may have been reinforced by history museums in the past. "Visiting them has been a relatively passive experience," viewing items stuck in cases. Boring history books have compounded the problem, she said, and many people have "concluded that history is boring. I take personal offense at that, because it seems to me that history is about humans... How can this subject be boring? There must be something wrong in the way we presented it."

Archabal said the long-term exhibits will be "organized around six themes that are common to everyone" so that "we don't ghettoize history... We're looking for a framework for understanding the ways in which Minnesotans have lived their lives that's all-inclusive."

The six themes are work, leisure, family—"We all belong to one," place—where people live; communications—letters, story-telling, newspapers, electronic media; and community—"which addresses the basic human need to belong, whether it's to a neighborhood or a church or to a voluntary group or to some sort of ethnic and racial community."

There may be an admission fee for the exhibits. But Archabal said she hopes a way can be found to avoid an admission charge for getting into the building itself. Gov. Carlson's budget recommended such a charge.

Said Archabal: "It seems to me there's an argument for not charging based on the fact that it belongs to the people of Minnesota already. It is their heritage. It's 99 and 44/100ths percent items given to us by people."

Editor's Note: The April 8, 1986, *Minnesota Journal* carried an article about a proposed design feature of the new structure—a 250-foot-long deck over ramps to and from the freeway. There was a possibility the deck would not be built because of its cost. But it was finally included, and Archabal says now it was most assuredly the right thing to do.

Cars and use of them grow in metro region

People in the Twin Cities are making more trips, and more households have two or more vehicles in which to make their trips, according to preliminary data from the travel-behavior inventory being developed by the Metropolitan Council, Minnesota Department of Transportation and Regional Transit Board.

In 1970, Twin Cities residents had 1.25 vehicles available per household. That increased to 1.58 vehicles per household in 1982, and the preliminary data show that jumped to 2.08 in 1990. The rate of person trips in the Twin Cities increased from 2.7 per capita in 1970 to 3.6 in 1990; it's projected to continue rising, to 3.8 person trips per capita in 2010.

Perhaps most remarkable is the increase in the number of vehicles available: we have 32 percent more autos per household than we did in 1980. One consultant estimates we have about 60,000 more

vehicles on the road today than we did in 1980.

We also make 11 percent more trips per household. And this isn't because our households have more people in them; the number of persons per household declined 5 percent, from 2.69 to 2.56.

Given our propensity to rely on the automobile, it will come as little surprise that the preliminary data show transit trips declined 22 percent in the last decade.

—Jody A. Hauer.

Rep. Charlie Weaver, IR-Champ-
lin, said he was surprised by the results of a survey of his constituents on whether they would want to see the Legislature go back to meeting

every other year instead of every year. The vote: 680 opposed having the Legislature meet every other year, and 375 favored it.

Weaver said he thinks some of the opponents of every-other-year sessions don't want to pay legislators the same salary for what they perceive would be less work. And he said the results probably would have been different if the question indicated the state would save some money by reverting to every-other-year sessions.

—Stephen Alnes.

Businesses in northern Dakota County overwhelmingly support a southern location for a new major airport if a decision is made to replace the Minneapolis/St. Paul International Airport (MSP), according to a survey by the Northern Dakota County Chambers of Commerce. This group consists of chambers from West St. Paul, Eagan, Mendota Heights and Rosemount, the communities that arguably will be among those most dramatically affected by a new airport decision.

Even though 85 percent of the survey respondents prefer MSP's current location, the businesses had a clear preference for a southern site over a northern one, should the Metropolitan Council's airport area search now under way result in a decision to build a new airport. Only 11 percent preferred a northern area. Nearly half of the respondents said either area south of the Minnesota River was acceptable; 23 percent indicated a pref-

erence for the Dakota County search area (east of Farmington, south of Rosemount) over the Dakota/Scott area (east of I-35 south of Lakeville and Farmington, north of Northfield).—J.A.H.

The Blue Ribbon Task Force studying the future of the Minneapolis Central Library will recess over the summer. During that time, library staff members will digest and analyze the results of a survey of users visiting central and branch locations of the Minneapolis library. They will also be examining the central library's program and how its services, staff and collections are organized.

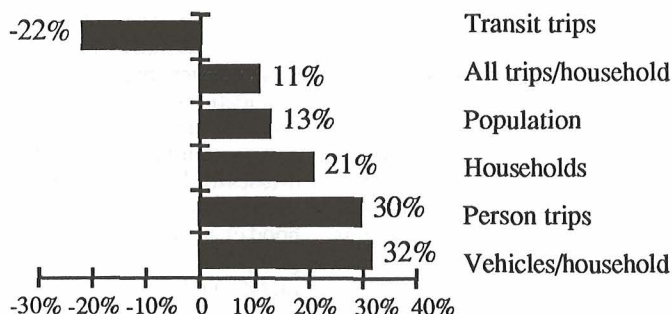
Ellerbe Becket, the architectural firm that studied the building needs of the central library two years ago, has been retained to translate the staff's program recommendations into facility requirements. The Task Force, chaired by James Shannon, has deferred reaching conclusions about the adequacy of the present central library until it reconvenes this fall.

—Allan Baumgarten.

The headline reads: Tax Problem Is Big Headache to Legislature in Last Days of Session; Legislators Hunt in Vain for New Sources of Tax Revenue. No, this isn't the summary of the 1991 legislative session, although it could be. It describes the Legislature 50 years ago when the *Belgrade Tribune* reported that the 1941 session ended in "one of the worst jams in state history."

Incidentally, the paper reported that the state's annual revenue was "more than a hundred million dollars." Today the budget shortfall alone is 10 times that amount.—J.A.H.

Changes Between 1980 and 1990



Takeover balance

From Strengthening the State's Response to Corporate Takeovers, *Minnesota Wellspring*, January 1991.

(E)xisting Minnesota takeover laws strike an appropriate balance in effectively regulating the subject of takeovers...(F)ew changes to existing Minnesota takeover legislation are necessary...

The attorney general is encouraged to review the current usefulness of Minnesota's antitrust laws and to suggest changes to the Legislature to strengthen Minnesota's capacity to intervene, on an anti-trust basis, when corporate takeovers threaten an essential public service.

The governor should direct an analysis of the need for additional state regulation of the waste-management industry, particularly whether the state should have the authority to approve mergers and acquisitions...

Each state agency that regulates an essential public service should be directed to monitor pending takeovers carefully and to aggressively become involved in such actions, if appropriate, as soon as they become known...

The governor should require the state agencies regulating an essential public service to prepare a report, each biennium, on corporate restructuring, actions taken, legislation needed, etc.

**Minnesota Journal
Citizens League
Suite 500
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Citizens League Matters

May 21, 1991

News for Citizens League Members

League announces 12 candidates for Board of Directors election

League President **Buzz Cummins** invites Citizens League members to vote in the 1991 Board of Directors election. All League members are eligible to vote in the election and will receive mail-in ballots during the week of June 3. Ballots must be returned by June 27 to be counted in the election.

The nominating committee, chaired this year by Board director **Dan Peterson**, nominated 12 candidates to fill the eight positions that will expire in July. Persons elected to the Board serve three-year terms. The candidates and a short biographical sketch for each are listed below.

Annual election set for June 28

Citizens League members not listed below who wish to run for one of the open Board seats may do so by submitting a petition. League bylaws require nominating petitions to contain twenty-five signatures of League members. The petition should be submitted to the Secretary of the League, **Beverly Propes**, at the United Way of Minneapolis, 404 South 8th Street, Minneapolis, MN 55404 by **Wednesday, May 24**.

On election day, June 28, the Board-appointed elections committee will tally the ballots and certify the results to the Board.

BOARD CANDIDATES (in alphabetical order)



ELLEN BROWN, Woodbury
Self-Employed. **League Involvement:** Transportation Committee, 1980; Initiative and Referendum Committee, 1979; Lottery Committee, 1986; vice-chair, Airports Committee, 1987; Program Committee, 1987-88; chair, AIDS Committee, 1988; Caucus Committee, 1991. Currently serves on Board of Directors, Community

Information Committee and *MN Journal* Committee. **Community Involvement:** board member, Hmong American Partnership.

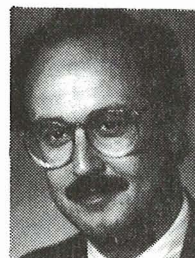


MILDA HEDBLOM, Saint Paul
Professor and Consultant, Media & Political Affairs, Augsburg College. **League Involvement:** Post-Secondary Education Committee, 1977; Tax and Expenditures Committee, 1982; Program Committee, 1983-86; Communications Committee, 1986-88; chair, Telecommuni-

cations Committee, 1989; Marketing and Communications Committee, 1988-89; Community Information Committee, 1989-90; Transit Task Force, 1990. Currently serves on Board of Directors and co-chairs Program Committee. **Community Involvement:** president, Playwright Center; consultant, FCC; member, MN Telefutures Study Group.



RUSS EWALD, Minneapolis
Retired Executive Vice President, McKnight Foundation. **Community Involvement:** member, Blue Ribbon Task Force on Libraries; board member, Westminster Housing Corporation, Greater Minneapolis Council of Churches; advisory board member, Minnegasco.



WILLIAM JOHNSTONE, Wayzata
Attorney, Dorsey & Whitney. **League Involvement:** chair, Metro Council Committee, 1984; Community Information Committee, 1985; State-Local Fiscal Committee, 1990. Currently serves on Board of Directors and Development Committee. **Community Involvement:** board member, Minnesota Institute on

Public Finance.



JANE GREGERSON, Minneapolis
Self-Employed Consultant. **League Involvement:** Currently serves on Board of Directors and Marketing and Communications Committee. **Community Involvement:** member, Phillips Tender Loving Care; vice president, Women's Association, Minnesota Orchestra; and trustee, Hennepin County Historical Society.



BILL KELLY, Roseville
Vice President, Government Relations, Norwest Corporation. **League Involvement:** Community Information Committee, 1984-87, 88-90; co-chair, Legislature Committee, 1985; Property Tax Committee, 1987; Transit Task Force, 1990. Currently serves on: Board of Directors and Community Information Committee.

(Continued on next page)

(Bill Kelly continued) **Community Involvement:** board member, Minnesota Government Relations Council; member, Tax Study Group, Joint Religious Legislative Council.



WENDY MCDOWALL, Edina
Director, Government Affairs, Dayton Hudson Corporation. **Community Involvement:** board member, Public Affairs Council; board member, State Legislative Leaders Foundation; member, Minnesota Family Investment Plan Community Advisory Council; member, Kaiser Roll Foundation; member, Legisla-

tive Leaders Foundation, Women in Leadership, Congressional Women Leaders; advisor to the United States Trade Representative; chair, State Retail Association International Trade Task Force; co-chair, National Retail Federation State Strategic Issues Task Force.



RICHARD MOBERG, Edina
Director, Marketing, Carlson Marketing Group. **League Involvement:** Occupational Education Committee, 1985; Solid Waste Recycling Committee, 1987; Operations Committee, 1987-88; AIDS Committee, 1988; Marketing and Communications Committee, 1988-89; chair, Marketing and Communications Commit-

tee, 1989-90; Board of Directors, 1989-90. Currently serves on *MN Journal* Committee and Marketing and Communications Committee. **Community Involvement:** precinct chair; marketing instructor, Metropolitan State University.



VIVIAN JENKINS NELSEN, Minneapolis
President, The International Institute for Interracial Interaction, Inc. **Community Involvement:** chair, Drug Abuse Prevention Resource Council; member, Select Committee on the Impact of Drugs on Crime, Education and Social Services; chair, Minneapolis YMCA Program

Committee; member, Minneapolis YMCA Executive Committee; member, Charities Review Council; member, Campaign for Human Development, Catholic Charities Board; member, Search Institute Board.

Johnson testifies to Congress

League Executive Director **Curt Johnson** testified before a Congressional subcommittee May 16. He spoke about the environmental effects of materials packaging to the Transportation and

Hazardous Materials Subcommittee of the U.S. House Energy and Commerce Committee.

In 1990, Johnson chaired the Governor's Select Committee on Packaging and the Environment (SCOPE).



STEPHEN SCHEWE, Edina
Business Marketing Consultant, Cray Research. **League Involvement:** School Districts Committee, 1988; Program Committee, 1989-90; chair, Metro Libraries Committee. Currently serves on Board of Directors.



LAURISA SELLERS, Minnetonka
Director, Honeywell Foundation. **Community Involvement:** chair, Business Action Resource Council; member, Program Committee and Long-Range Planning Committee, Minnesota Council on Foundations.



DAVID ZIEGENHAGEN, Saint Paul
CEO, Foundation for Health Care Evaluation. **League Involvement:** Community Television Committee, 1975; chair, Housing Committee, 1982; Program Committee, 1981-85; Operations Committee, 1985-86. **Community Involvement:** board member, Walk-in Counseling Center; member, American Refugee

Committee; member, Minnesota Council on Foundations; member, Minnesota Council of Nonprofits; member, Mental Health Review Board, Minnesota Department of Human Services; member, Minnesota AIDS Project.

Managed care review forthcoming

The League will soon release a new report analyzing Minnesota's health care marketplace. The report, *Minnesota Managed Care Review 1991*, will be a valuable resource for people involved in the health care industry and employee benefits planning.

In addition to the analysis featured in the League's 1990 report on health maintenance organizations (HMOs), the new edition will include data on preferred provider organizations and Blue Cross and Blue Shield of Minnesota. Highlights from the new report appear on page one of this *Minnesota Journal* (May 21).

Readers of the report will find an analysis of what contributed to the record surpluses posted by HMOs and other plans last year. Key enrollment trends will be highlighted, such as the growth in Medicaid enrollment in the HMOs. The report will analyze the growing trend of employers using self-insurance and the impacts of that trend. For instance, additional self-insured companies result in a narrowing base of support for the Minnesota Comprehensive Health Association (MCHA), the state's risk health insurance pool.

Copies are available to League members for \$10 and to non-members for \$15.