



Minnesota Journal

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Rural Minnesota might need different approaches to health reform, competition

How will health reform play in Lake Wobegon?

States like Minnesota are pursuing their initiatives to expand access to health care while restraining its cost. The U.S. Congress has just begun to study and debate the Clinton Administration's proposals. In the midst of all this activity, questions are being raised about whether and how health reform will work in rural areas.

Before going further, it is important to point out the diversity of rural areas: the issues in Ivanhoe (pop. 761, with a 28-bed hospital and one

by Allan Baumgarten

family practice doctor) are not the same as those in Willmar (pop. 15,895, 144-bed hospital and more than 30 primary care physicians and specialists.)

Rural residents often face more serious access problems than those faced by their urban cousins. For example, the percentage of uninsured people is higher in rural areas than in the Twin Cities. In 1990, the Minnesota Health Care Commission found that, while 3.6 percent of metropolitan area residents were uninsured for a year or more, more

than six percent of Minnesotans in the western part of the state lack coverage.

In addition, entire counties in rural Minnesota are regarded as medically underserved, lacking the minimum number of health professionals needed to serve the population. (Some census tracts in Minneapolis, St. Paul and Duluth are also designated as underserved.) Rural areas often experience significant problems in recruiting and retaining health professionals, and low occupancy and shaky finances have

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Interest high in telecommunications role

by Milda Hedblom

First of two articles. Telecommunications policy is increasingly seen as a key force shaping the country's economic future.

The 1990 Citizens League report *Wiring Minnesota: New State Goals for Telecommunications* has been one of the factors contributing to a vibrant arena of discussion and promised action in Minnesota. And at the national level policy-makers have devoted much attention to creating a National Information Infrastructure (NII). Telecommunications policy is at the center of that discussion.

On Sept. 15, the Clinton administration released its first general policy perspective on NII, *The National Information Infrastructure: Agenda for Action*. It calls, among other things, for continuing action and experimentation by states to help realize the benefits of an NII.

Telecommunications policy involves a fairly complicated world of action:

- by industries that are the primary providers of communication capacity and specific services;

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Corporations can attack public problems by creating better ways to deliver services

Verne Johnson believes corporations can play a unique role in finding better ways to attack public problems. He thinks corporations can make the best contribution *not* by getting involved in policy issue debates, but by putting corporate know-how to work in designing better ways to deliver services. "The best way to get change is to show that it can be done," he said.

Johnson's philosophy on corporate social involvement has been shaped by his varied experiences in

by Dana Schroeder

the public, civic, and business sectors. He served as executive director of the Citizens League for 11 years before joining General Mills, where he was vice president of corporate planning for 14 years. He has also been a longtime Twin Cities hospital board member.

He brought his philosophy to life 10 years ago by designing a partnership between General Mills and the nonprofit Wilder Foundation,

aimed at finding better ways to care for chronically ill elderly people. Johnson has served as CEO of the Bloomington-based organization, called Altcare, since taking early retirement from General Mills in 1983. Wilder's broad experience in providing services to the elderly was a key factor in Altcare's design, Johnson said, and has been instrumental in its success.

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A chance to design an effective regional federalism

The State Advisory Council on Metropolitan Governance recently appointed by the governor and the Legislature has about four months to come up with recommendations for redesigning the region's system of governance. The time frame is very short; the temptation will be to try to solve regional problems, rather than to design effective governance structures to solve these problems.

The Commission should consider the following "design criteria" for governance systems as it undertakes this difficult task of institutional design.

Does the proposed regional governance system provide for development of regional solutions to regional problems? It takes effective regional leadership to develop regional strategies for issues that spill across municipal and county boundaries—unless the Legislature itself decides to assume the policy-making function for regional issues.

A governance strategy should set in place structures that can address pressing regional needs over a reasonable period of time. While regional efforts may often require state legislative assistance, the grassroots political work of identifying and working through solutions should be done at the regional level.

Does the proposed governance system rely on the "least intrusive" approach to solving regional problems—using regulation, com-

Viewpoint

by Lyle Wray

mand and control strategies as a last resort? We have seen the spectacular failure of "command and control" centralized economic and governance systems in Eastern Europe in the past five years. We need to resist the inclination to establish metropolitan-wide "super agencies" and the false comfort of a large agency having sole responsibility for addressing a complex problem.

The tool kit of regional government should be extensive—ranging from the ability to generate policies like sharing tax base from new commercial ventures to incentives, funding allocation and, finally, regulatory authority. Metropolitan-wide agencies and "command and control" strategies should be used only when other options are clearly deficient.

Does the proposed governance scheme consider changes in action by the executive, legislative, regional and local governments? A change in the responsibilities of regional government will affect the executive and legislative branches and local governments. An orderly process for considering these changes should be included in the regional governance proposal.

What power and authority will be vested in order to address regional issues effectively, and what accountability will there be to the

regional public for the exercise of this authority? Many would argue that the status quo of intergovernmental arrangements in the metropolitan area is not up to the task of addressing the region's compelling economic, social and environmental issues. But what forms of authority should be vested at the regional level and how should the exercise of these powers be held accountable by the people of the region?

It is very unlikely that an appointed regional body will be granted significant additional powers. The specific powers needed at the regional level will depend on the diagnosis of the challenges compelling regional action and on a clear analysis of how well existing systems are performing in these areas.

Does the proposed governance scheme balance the need for economies of scale and region-wide strategies with the need to reconnect citizens to government? This is perhaps the trickiest question facing the Commission. Other countries have addressed similar challenges in what appear to be contradictory ways: significant consolidations of functions and governmental units and, at the same time, moving service delivery and decision-making closer to the neighborhood level.

A regional strategy, somewhat paradoxically, might call for neighborhood-level services to assist vulnerable citizens. We need a variety of complex differentiated governance structures tailored to changing circumstances and particular functions. Working out the balance between regional strategies, economies and diseconomies of scale and local connection with the people should be done at the regional level.

Does the proposed system of governance provide for effective oversight of regional operating agencies and for effective, proactive planning for the region's future? The regional agencies—from transit to airports and waste control—spend significant amounts of money and need appropriate oversight. But the governance design must thwart the temptation to micromanage regional agencies and to shun the more difficult tasks of proactive planning for the region's needs.

The Commission's work presents a very important window of opportunity for designing an effective regional federalism—one that values the connection of citizens to government, but addresses the large questions in effective and efficient ways. The path of least resistance—embracing the status quo—will not position us well to address the issues facing this region now and in the coming millennium.

Lyle Wray is executive director of the Citizens League.

Rollwagen: Power balance has replaced compromise

Edited excerpts of remarks by John Rollwagen, former deputy secretary designate, U.S. Department of Commerce, and former CEO, Cray Research, to the Citizens League on Oct. 6.

In the government, it's quite true, starting from a Constitutional base, that nobody's in charge in Washington. Purposely, we have a division of powers and responsibilities, which creates a situation where nobody's in charge. The president's not in charge, no single senator, no single representative, no agency in the government has control. That comes home immediately.

It's as if I were the president—which I was, sort of, of the Commerce Department—of a company which has a board of directors of 535 people that divides itself into two bodies. They, in those two bodies, would organize committees, literally hundreds of them. At least 50 of those committees would concern themselves with specific areas of the Commerce Department. There would be two committees for each area, one from the Senate and one from the House.

It was as if there were two committees of the board for the mailroom, two committees of the board for the Chicago branch office, two committees of the board for this part of the

assembly line and that part of the assembly line. The two committees would separately budget those independent departments within the company and would do that without regard to the overall budget.

Politicians are in Washington with their constituents looking over their shoulders every moment of every day, with C-SPAN and the network news, all of the ways there are of keeping track of our representatives. Everybody in Washington with any kind of responsibility has a constituency.

Unfortunately, it appears that when any politician begins to compromise, the constituency accuses him

or her of selling out. In addition to the separation of powers, there's this pressure to take extreme positions and hold them.

At the same time, there is a perfectly wonderful commitment, on the part of this administration anyway, to keep everybody at the table. Nobody is to be excluded from the conversation. That means that not only is nobody in charge, but everybody's in charge.

You wind up with this wonderful, ongoing conversation, which is intellectually stimulating, but it doesn't really end.

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Health-care reform proposals draw skepticism, praise

On Balance

"The health of the people is really the foundation upon which all their happiness and all their powers as a state depend." —B. Disraeli

nation during the Civil Rights era."

University of Minnesota **Daily** questioned (Oct. 12) whether President Hasselmo's University 2000 proposal would alter the University's land-grant mission. "To be true to the land-grant mission, University 2000 must ensure access for local high school students... must guarantee that research serves, and is accountable to, the state of Minnesota... while improving the quality of education available."

St. Paul Pioneer Press called on legislators (Sept. 21) to limit lobbyists' gifts to members and staff. "To improve their image and regain public confidence, lawmakers must demonstrate their votes—or even their time—are not up for sale." **Mankato Free Press** commented (Sept. 20) that "there is legitimate skepticism about all of the reform talk by politicians... But the purity of motives is less important than whether some real reforms are

implemented." **Republican Eagle** said (Oct. 13) that voters "should not let Democrats attempt to cleanse the whole Phoneygate scandal, saying Republicans and Democrats alike abuse the system... The \$18,000 (paid) by 225 individuals pales in comparison to Rep. Alan Welle's \$90,000 in fraudulent calls."

Brainerd Daily Dispatch noted (Sept. 30) that Alabama had provided significant incentives to lure a new Mercedes-Benz factory, creating thousands of new jobs. "Minnesota could use 13,000 jobs. But unless the Legislature takes action, the odds are that our state will be losing jobs from existing firms rather than adding jobs by attracting new industry or enabling existing businesses to expand or even stay in an increasingly competitive atmosphere." **St. Cloud Times** praised Governor Carlson's commitment to confronting Minnesota's business climate issue. "The

governor isn't formulating a program designed to lure businesses from other states—just one that will allow Minnesota businesses to grow and create new jobs at home."

International Falls Daily Journal noted (Sept. 21) the innovative programs launched by small nearby schools. "To be sure there are benefits to be found in consolidating small school districts... But it's simplistic to look at enrollment numbers and order schools to merge. Instead, we prefer letting school boards make those choices based on what makes the best sense educationally for their students."

St. Cloud Times noted that the state has a school bus safety problem, partly because of minimal driver training. "To forge a program to meet the need, the Legislature will have to do something it does well—establish new programs and standards. And it will need to do some things it has trouble doing: not overdoing the job to the point that regulation and state tinkering become burdensome—and not sticking local school districts with the bill."

Rollwagen

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From my perspective, Washington, in the old days, even with the separation of powers, when it was originally created 200 years ago, was

based on compromise. We sent our representatives to Washington to do the government's business, and basically to do it in private, and come back and report to us occasionally.

Now, with the instant feedback and the total nonexclusionary approach, combined with the separation of powers, instead of compromise, I perceive it as a power balance. People take positions, pull and tug against each other. The net result is very much like a compromise, in that nobody has control, but the position is arrived at in a wholly different way.

Because of that, Washington winds up having much less substance than we think. There are very bright people there, there are very committed people there. But because of this struggle that we put them into, this constant power balance, there isn't time for thought and it's really not an effective strategy to seek the compromise. The most effective strategy is to take the solid, strong, extreme

position and balance that off the other things that are happening and keep the government moving generally in a reasonable direction.

Where that power comes from, then, is from the constituencies that are looking over the shoulders of the politicians that are there. Although the people in Washington are at the controls—they flip the switches and turn the dials—the people in control, much more than we realize, are right back here.

I think we have gone way overboard on the requirements we have put on a person who makes the transition to government service. We are so concerned about people profiting personally from public service that there are two requirements that are very difficult. One, you have to stand up and bare your soul to your country. Two, I have to disassociate myself from anything I've ever done, particularly anything I've ever done in business. That means selling all of your interests and cutting those ties.

The human resource principles in the government are essentially based on mistrust. That's one thing where we've gone overboard and we need to back off.

The second thing is it's treated as a permanent change. It isn't set up as, OK, you can come and serve two years, even four years, and then go back. We close all those doors for going back. Those must permanently be sealed. It's a permanent, one-way trip. I don't think that has to be true.

We should have enough confidence in the selection process to pick people with integrity, who will by themselves, without having specific rules, avoid conflicts of interest because they just don't want to have them. Most of the people in Washington are like that. There are five percent that aren't. So we set up all these rules for the five percent. And then the 95 percent begin to grow characteristics like the five percent, because we gave them all the rules in the first place.

Another view: Property-tax system should be dropped

I can't tell you how delighted I was to read the powerful and completely descriptive headline on Peter Hutchinson and Janet Dudrow's article in the Sept. 21 *Minnesota Journal* ("Property-tax system fatally flawed; it's unfair, unaccountable and expensive")—and how disappointed I was in the limp conclusion.

For Pete's sake, folks! "Fatally flawed" means *dead*—D,E,A,D, dead! And all you're going to recommend is that we apply CPR to this dead idea? Elected officials in Minnesota have been applying patches to this system for 150 years, and it hasn't been fixed yet. Only a really dedicated optimist could expect another Band-aid to revive it!

Each attempt to fix the property-tax system has been a failure. I think these failures ought to tell us once and for all that the property-tax system is unfixable and should be abandoned.

Here's why:

- It's a relic of the days when real property was considered the only reliable source of income. We abandoned the ownership of real property as a qualification for vot-

ing, and it's about time we abandoned it for financing.

- It's the only attempt we make to tax wealth, and it doesn't work well, because we can't pay taxes with wealth.

- It is notoriously difficult to value real property unless it has recently changed hands in a free market, and there is a widespread perception that the assessment process is not equitable.

- It lends itself to the kind of opportunism which classifies some real property for taxation at zero percent of value, some at one percent, some at 1.5 percent and some at three percent. These figures are plucked out of thin air and have no foundation in fact.

- It discourages property owners from investing in the upkeep and maintenance of their property.

- It lends itself to the blackmail of "tax-increment" schemes for the benefit of private businesses.

- It puts communities at the mercy of developers squeezing the maximum value from the minimum investment.

- It is awkward and expensive, both to pay and to collect.

- Its distribution has become so complex that I doubt there are more than a handful of people in the entire state who can say they understand it. Certainly the people who are taxed don't!

- It encourages unhealthy competition among communities for "tax base."

Obviously, some other tax would have to take the place of this anachronism. The only alternative that lends itself to equity and ease of administration is a tax on income. Here are some things that would need to be taken into account in planning an income tax:

- Deny local governments the power to assess and collect the tax. This eliminates the lowest blow of cutthroat politics—the promise to cut taxes—and might force candidates for public office to concentrate on substance rather than empty bombast.

- Let the state collect a second-tier income tax, variable in rate from year to year and different in each

taxing jurisdiction, just sufficient to pay the bills of that jurisdiction.

- Base the tax on *personal income* only—not business income—on those who earn income in the political jurisdiction. For example, those who work in Ramsey County would pay their taxes in Ramsey County regardless of where they live.

- Eliminating business income from taxation would encourage new businesses to start up, existing businesses to expand, and greatly simplify the collection of the tax. If the owners of the business profit, then their personal tax should more than make up for any losses we take from businesses that don't make a profit.

I'm not so naive as to think that this would be an easy program to develop and implement. You can imagine the reaction in the bedroom communities who currently profit so heavily from the property tax. But discontent with the whole system has reached such a level that something drastic has to be done.

Charles N. Brennecke, St. Paul

Telecommunication

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- by lawmakers and regulators at both the national and state levels, who have had most experience with regulating communications monopolies but now are presiding over a move toward some degree of competition; and

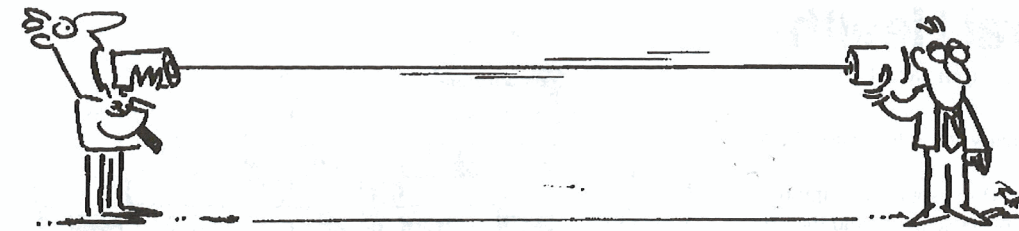
- by the public, who as users and consumers pay the bill for investment and services and profits to shareholders.

Despite the complicated policy relations, some fairly straightforward needs are driving the discussion in Minnesota, in other states, at the national level, and even at the international level.

- The first need is to ensure that the higher level capabilities from telecommunications are deployed swiftly, economically and somewhat fairly. This is increasingly understood to be a main driver in the economy.

- The second need is to provide diverse kinds of uses, at reasonable prices, and to help underwrite access for those who would otherwise be left behind.

- The third need is to reach us, the public, so we understand and feel comfortable using the tools that provide the services.



I said,...we have to update our telecommunications system!

What kind of discussion is taking place and what actions are under review in Minnesota?

Several initiatives came forward during the last legislative session:

- a proposal to establish a higher education instructional telecommunications interconnection;

"The first need is to ensure that the higher level capabilities from telecommunications are deployed swiftly, economically and somewhat fairly."

- a proposal for a Minnesota Information Network; and

- a proposal to set timetables for statewide deployment of higher capacity telecommunications infrastructure.

Only the higher education proposal passed into law with funding. A Telecommunications Council has been established with the Higher Education Coordinating Board to

develop a framework for a system of interconnection among state campuses and regions.

However, interest in the other initiatives has not evaporated. The Legislature is likely to hold a mini-session on telecommunications and Minnesota's needs, under the general guidance of Rep. Steve Kelley

(DFL-Hopkins). Furthermore, the Legislature is required to reconsider the state's current regulatory plan for telephone companies, which will sunset by August 1994. That will certainly open the door to further discussions about Minnesota's needs.

State agencies are active in this discussion as well. The Department of Public Service was to host a conference on Oct. 21, "Telecommunica-

tions: Entering the New Paradigm," at which many of these issues of regulation and public interest were to be considered.

But the most ambitious project is one nearing completion by the Public Utilities Commission. Following the publication of the League report in 1990, Darrel Peterson, then chair of the PUC, convened a joint group of regulators, industry representatives, user group representatives, public interest group representatives and academics to undertake a comprehensive study and report on Minnesota's future needs in telecommunications. That report, due to be completed by the end of October, will frame the discussion in an article in next month's *Journal*.

Milda Hedblom is professor at Augsburg College and a communications consultant. She is a former staff member of the Federal Communications Commission and chaired the Citizens League study committee on telecommunications in 1990.

Communities of color have grown rapidly in metro area

From Profiles of Change: Communities of Color in the Twin Cities Area, *The Urban Coalition*, Aug. 1993.

- Communities of color made up 9.2 percent of all residents living in the seven-county metro area in 1990. More than one in five Minneapolis residents (22.3 percent) and nearly one in five St. Paul residents (19.5 percent) were from communities of color.

- Between 1980 and 1990, the combined population of communities of color in the Twin Cities metropolitan area nearly doubled. The pace of growth was strongest from the African American and Asian communities, each of which added approximately 40,000 residents in the 10-year period. The number of

African Americans increased by 79 percent, and the number of Asians grew by 167 percent.

- ... (M)ost metro area whites live in the suburbs and most people of color live in the central cities. ... (O)nly 25 percent of whites now live in Minneapolis and St. Paul, compared to 76 percent of African Americans.

- Nearly half of all Asians and Pacific Islanders in the metro region are from the four Southeast Asian refugee communities—Cambodian, Hmong, Laotian, and Vietnamese.

- Communities of color all have much younger populations than the white community. While 24 percent of whites in the seven-county area

are children under the age of 18, between 39 and 45 percent of each community of color are children.

- In the seven-county metropolitan area, only about 36 percent of African American families with related children and 34 percent of American Indian families with children were headed by married couples.

- Roughly 81 percent of Asian families, 80 percent of white families, and 65 percent of Chicano/Latino families with children were married-couple families.

- The poverty rate in communities of color in the Twin Cities region rose dramatically between 1979 and 1989. In the African American community, the percentage of peo-

ple living below the poverty level jumped from 26 percent to 37 percent, while in the American Indian community the poverty rate rose from 30 percent to 41 percent. The percentage of Asians and Pacific Islanders living in poverty rose from 24 percent to 32 percent. ... The poverty rate among Chicanos/Latinos increased modestly.

- ... While the poverty rate jumped sharply in communities of color, it did not increase at all among whites, remaining at just under six percent.

- ... The poverty rate among African Americans living in the suburbs more than doubled in a 10-year period, so that now mor-

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Communities of color

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than one in every four suburban Black residents lives below the poverty line.

- ... Taking all communities of color together, the number of people living below the poverty level jumped from just under 27,000 in 1979 to over 67,000 just 10 years later.

- Over half of all African American and American Indian children in the entire metro region were living below the poverty level in 1989.

- ... The poverty rate among all children in St. Paul nearly doubled from 14 percent to 27 percent. By 1989, the poverty rate for all children in Minneapolis was five times higher than the poverty rate for children in the suburbs.

- Per capita income in the white community was roughly twice as high as per capita income in each of the four communities of color in 1989.

- After adjusting for inflation, per capita income in the African American and Asian communities dropped between 1979 and 1989, while rising substantially in the white community. Income dispari-

ties also increased. In 1979, whites in the metro region had 65 percent more per capita income than African Americans. By 1989, their per capita income was 104 percent higher than that of African Americans.

- In the metro region, the unemployment rate for African American and American Indian men was three times higher than for white men. African American and American Indian women were at least four times more likely than white women to be unemployed.

- ... (T)he percentage of people who have not finished high school is at least twice as high in each

community of color as in the white community.

- Fewer than one of every three African American and American Indian households in the Twin Cities metro region, and fewer than half of Asian and Chicano/Latino households, own their own homes. In contrast, 70 percent of white households are homeowners.

- More than one-third of all African American and American Indian households in the metro region have no vehicles. In Minneapolis, roughly half of African American and American Indian households are without vehicles.

Rural Health

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closed many small-town hospitals.

Both the Minnesota and Clinton reforms propose to expand the use of competing managed health-care systems to control costs and to expand access. Though Minnesota has a good deal of experience with health maintenance organizations (HMOs) and other managed-care plans, the experience of rural Minnesota has been limited and sometimes unhappy. While nearly half of the Twin Cities area is enrolled in HMOs, only 14 percent of the rest of the state is.

During the 1980s, several HMOs extended their service areas into rural Minnesota and aggressively marketed Medicare plans there. Because of low federal payments and cutthroat pricing to build market share, they lost their shirts. The HMOs pulled out, leaving a bad taste with providers and enrollees. On top of that, two small HMOs in Greater Minnesota went insolvent in 1987, leaving providers with unpaid bills.

Some questions: Will integrated networks—whether HMOs or a new generation of integrated service networks (under Minnesota law) or accountable health plans (under the Clinton proposals)—choose to serve rural Minnesota? Who will develop those networks and how will they be capitalized? Will networks compete in rural areas?

Some examples of how managed competition might work in rural areas are already emerging. Earlier this year, Affiliated Medical Center, a group practice with 85 physicians serving 14 counties in western and southwestern Minnesota, and Blue Cross and Blue Shield of Minnesota announced their plans to form a jointly owned and managed entity that would operate an integrated network. About two-thirds of the physicians in the area are in the group, which also has clinics in places like Marshall, Redwood Falls and Litchfield. The partners describe the venture as the beginning of an ISN, once the 1994 Legislature defines what an ISN will be. In the interim, Affiliated is now a participating provider in the Blue Plus HMO network.



How the state will view the potential antitrust implications of one entity commanding such a large share of the market remains to be seen. Under a new process established this year, the Minnesota Department of Health will review joint ventures and other collaborations and can grant immunity from both federal and state antitrust prosecution if they serve state goals of reducing costs and expanding access. HealthSpan filed the first application for review this month, for consideration of the 1992 hospital system merger by which it was created.

"In rural areas, the patients are competing for providers."

—Chari Konerza, Minnesota Department of Health

In Minnesota, Attorney General Humphrey's office has pursued investigations of providers in several small cities, alleging that they were banding together to block the entry of managed-care plans in those areas. Assistant Attorney General Tom Purcell suggests that the key question for these new arrangements will be "whether they foster managed competition or hinder it." The analysis may be based as much on common sense as on applying principles of antitrust law.

Employer networks

New networks are also forming in response to employer groups. In Red Wing, employers formed the Quality Health Network to purchase care from local providers. One of the goals of the group is to

keep health care local. Twin Cities health plans and hospital systems have been going throughout the state, proposing a variety of affiliations to local providers. However, some of those rural providers are concerned that affiliating with or selling their practices to Twin Cities-based ISNs will reduce local autonomy and will disrupt established referral patterns.

The Clinton proposal calls for regional purchasing alliances to stimulate the development of rural networks. In Minnesota, state and local governments are significant

purchasers of health care and have already stimulated expansion of health-plan networks. Both Preferred One and Medica have added rural counties to their service areas, partly to respond to requests from the Department of Employee Relations to serve other parts of the state. As public plans grow and migrate to managed-care arrangements, state purchasers will have new opportunities to encourage the formation of networks serving rural areas, acting as "anchor tenants."

How will new networks be capitalized? Legislative leaders decided this year that ISNs could only be formed by nonprofit organizations. Any for-profit entities that want to develop ISNs will probably have to create and capitalize a separate cor-

poration. The Legislature must still decide how much capital is required to establish an ISN and what reserves it must have. While hospital systems or existing health plan companies may have enough capital to invest in an ISN, smaller organizations may have trouble raising the capital, especially if seeking outside investors is not permitted. Some legislators support relatively low capital requirements for small provider groups seeking to form ISNs.

Will competing networks form in rural areas? In sparsely populated areas, the Jackson Hole Group and researchers at the University of Minnesota's Rural Health Research Center have suggested that a "managed cooperation" model might apply. That is, providers might receive something of a franchise for serving the area, subject to more state oversight of and limits on their revenues and expenses.

Chari Konerza, director of the Office of Rural Health in the Minnesota Department of Health puts it this way: "In the large cities, providers compete for patients. But in rural areas, the patients are competing for providers." In other words, rural areas are more concerned about getting and keeping a few providers. Choice and competition would be a luxury.

In some areas, providers have been reluctant to negotiate with HMOs or employer groups, and buyers had no other choices in the area. Bill Blazar, vice-president of the Minnesota Chamber of Commerce, suggests that reluctant providers might be more receptive if someone rented a Main Street storefront and posted a sign: "Future Home of Group Health Clinic."

Expanding the reach of managed-care networks is key to health reform proposals. However, the rules of health reform and expectations for vigorous competition may not apply in rural Minnesota. Innovative approaches to address problems of access and cost will be needed.

Allan Baumgarten is associate director of the Citizens League.

Corporations

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Johnson believes Altcare has had a significant impact over its 10-year history:

- It worked early on with social health maintenance organizations (HMOs) that augment health-care services with appropriate social services;

- It developed a prototype for assisted living for the elderly, Elder Homestead, which has been replicated both in the Twin Cities and elsewhere as an alternative to more expensive nursing homes;

- It spawned the Alzheimer Care Network in Minnesota, a partnership of various services designed to offer a coordinated program of care throughout the progression of the illness; and

- It established (in 1991) and has nurtured the National Chronic Care Consortium, which Johnson calls a "national laboratory for health-care reform for the chronically impaired." The consortium now consists of 21 members from 14 states, including nonprofit health-care providers. The providers are experimenting and refining the concept of chronic care networks, designed, in Johnson's words, to "bring acute and long-term care services together in a seamless, innovative way" for chronically ill people. The goal is to keep them in independent living situations and to keep costs down.

"I think you could come to the conclusion that has been a fair impact for one corporation in a 10-year period," Johnson said.

General Mills has put about \$50,000 a year in out-of-pocket funds into Altcare and has contributed \$200,000 a year over the past three years to the consortium. In addition, General Mills has contributed various in-kind services, such as time from its legal staff, to Altcare.

And, Johnson said, General Mills' involvement has lent valuable credibility to the project and leveraged

Other corporations should rethink their philanthropy programs and use at least some of their resources to directly tackle a variety of public problems, Johnson believes. "Let's say each corporation in America of any size picked out one project and was able to have some impact comparable to what General Mills has had," he said. "Think of the powerful force corporate America could be for social reform and improvement."

He thinks it's a natural match for corporations—who are used to delivering services and products to

"The best way to get change is to show that it can be done."

—Verne Johnson, CEO, Altcare

contributions from other donors. He said the company's financial involvement in the consortium assures that whatever the group learns about new ways of delivering services to the chronically ill will be shared. "What we learn we make public," he said. "We're anxious to spread this vision to the country."

Johnson has an opportunity to use what he's learned as newly appointed chair of the Governor's Long-Term Care Commission. The group is to report in February how to reduce the rate of increase in the cost of long-term care by 10 percent over the next five years.

customers in a competitive environment—to try their hand at finding better ways to deliver public services. But he's careful to divide that service-delivery role from a policy-making role—a distinction he wishes government were better at making.

Government's reluctance to distinguish policy-making and financing from delivery of services is a major barrier to improving public services, Johnson believes. "It's not inevitable that you have to deliver services through your own employees," he said. He pointed out that General Mills, one of the largest food companies in the world, contracts out the operation of its executive dining room and "doesn't think a thing of it."

"General Mills is not very interested in a think-tank approach to public problems," Johnson said. "They best relate to trying to deliver services in some way. They want to show that providers in the private sector can break new ground themselves innovatively and that corporations in America can help deal with social problems."

Altcare spends little time working on policy issues. "We only work on policy change where it's necessary to unblock an impediment to the reform we want," he said.

"General Mills is interested in the catalytic, facilitating role," Johnson said. "The providers in the consortium are interested in providing and

they will do that without subsidy in the long run if the financing and reimbursement systems are fair."

Johnson is quick to point out that he doesn't believe corporations hold magic answers to all of society's problems. "Nobody is professing that a corporation can go in and solve the public policy issues," he said. "But they have a unique capability to deliver services, because that's what they're doing. They do it very effectively in terms of cost, because they have to be competitive, and they do it very sensitively to consumers, because they're used to having to convince consumers to buy it."

He believes government's role should be setting the parameters—quality standards and price standards—for the services.

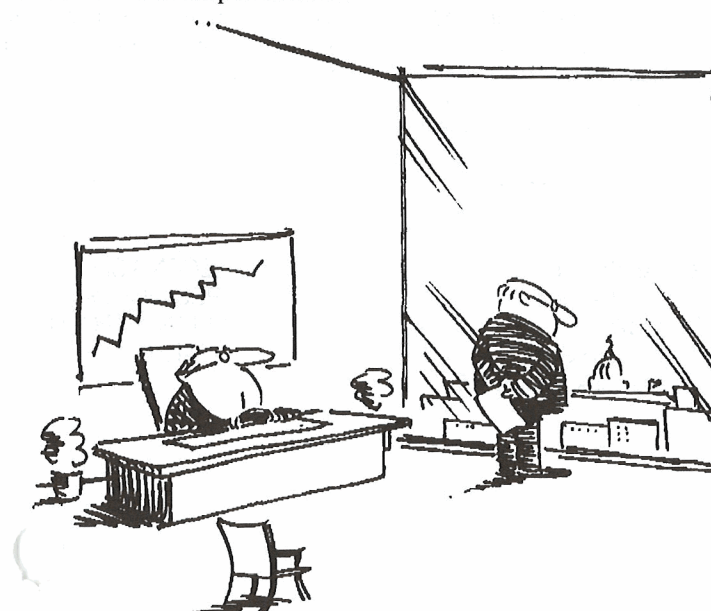
Another advantage Johnson believes corporations bring to the delivery of public services is the perspective of the outsider. "No entrenched bureaucracy has ever reformed itself from within," he said. "It's always been from outside intervention. The lesson is to intervene in such a way that you set up outcome-based performance standards that make somebody lose once in a while."

What will be the next challenge for Johnson and for General Mills?

When he moves on from Altcare, he may set up another project for General Mills, spend his time encouraging other corporations to use their resources to work on public problems or work to "unleash the tremendous power of early retirees." He sees a number of areas ripe for corporate involvement: the family, central city problems, integration, the environment, dropouts.

And Johnson believes General Mills will move on to another area of involvement and dissolve Altcare when it has done its job—just as it eventually sold Stevens Court, its rehabilitation partnership project in south Minneapolis that predated Altcare. "There's no reason for it to be permanent," he said.

Dana Schroeder is editor of the Minnesota Journal.



Frankly...I just get a kick out of knowing that we can solve public problems...so, let's do it!

Lure of centralization led to Metro Mobility troubles

It was the lure of centralization and "economies of scale," more than anything, that caused the foul-up with the area's special transit service for the disabled, Metro Mobility, Oct. 4.

The program began in the 1970s with centralized dispatching and operation, under the Metropolitan Transit Commission. In 1986 it was decentralized by the new Regional Transit Board. Costs were reduced, with a dozen or so operators taking calls and dispatching their own vehicles. So service was expanded.

With a bigger program, however, total expenditure grew. So in 1991 the RTB began planning to recentralize. It thought new telephone and computer technologies could lower costs. Also, there was a feeling the agency was "losing control." Dispatching would be centralized and the vans also owned centrally. The contractors (reduced hopefully to two) would provide only the drivers; they would be paid by the hour rather than by the number of rides given, as had been the past practice.

Everybody felt the planning process went very well. The RTB staff was quite surprised when the new system didn't work.—*Ted Kolderie*.

It's precisely this lure of centralization, "economies of scale" and "careful planning" that worries Walter McClure about proposals for national health care.

"We can have what we want—quality of care, universal coverage and access and cost containment—only if we increase productivity in the system," argues McClure, president of the Center for Policy Studies in Minneapolis. "Eliminating administrative costs is a one-time saving. We have to get everybody practicing as efficiently as the most efficient practice today, and improving continuously over time, or some other goal will give—either quality, coverage or cost-containment."

Increasing productivity means radically restructuring the jobs of doctors. "Experience proves a controlled system cannot do this," says McClure. Good intentions cannot accomplish impossible things.—*T.K.*

Two former Control Data employees—Larry Struck, now with the Minnesota Department of Health,

and George Kohler, now a computer industry consultant—have started a new organization aimed at providing a framework to renew the public sector and reinvigorate citizen involvement. The nonprofit FutureCourse was inspired by projects like Minnesota Milestones, the Arkansas Commission on the Future, and the application of continuous quality improvement techniques to the public sector.

One of the organization's first projects was conducting a random poll of 100 Twin Cities adults in April 1993 to assess attitudes toward state government. Among the findings:

- 78 percent feel frustrated with state government;
- 75 percent think state government does not plan well for the long-term future;
- 91 percent believe the average citizen can provide useful input that could improve government;
- only 32 percent think elected state officials act in the best interests of citizens and are trustworthy, while 46 percent think that of nonelected state officials;
- less than half think elected state officials show leadership (44 percent) and know what to do to improve government (36 percent);
- 58 percent feel excluded from the process of government.

FutureCourse plans to establish a network of individuals and organizations from business and government to develop future programs.—*Dana Schroeder*.

It's open enrollment season for state employees this month, and they have the results of a consumer satisfaction survey to help them choose their health plans. The survey was conducted this spring, and employees were asked about their satisfaction with care received, customer service and access.

Some of the results: MedCenters enrollees reported the highest overall satisfaction: 87 percent said they were extremely or very satisfied with the plan. The range was not that wide; at the other end, 75 percent of Group Health enrollees gave the same ratings. On another measure, 91 percent of Medica Choice

enrollees were extremely or very satisfied with the care they received.—*Allan Baumgarten*.

Price competition in refuse disposal was supposed to have been suppressed (if not criminalized) by the "flow control" system introduced about 10 years ago. But efforts to shop for price keep popping up.

Now it's Minneapolis, which thinks it's being overcharged (at \$95 per ton, plus sales tax) for refuse it sends to Hennepin County's burner (HERC) on the west edge of downtown. The city moved Oct. 15 to seek proposals from others to handle its trash. Minneapolis accounts for about a third of the load at HERC, which may partly explain why county commissioners are talking about reducing the "tipping fee" at the burner plant.

In addition to "price variations causing some disruption in the flow" (as a Metropolitan Council planner puts it), challenges in the courts are threatening to invalidate the legal basis for the cartel created by the state to manage waste disposal. The reports from the Citizens League that argued hard in the early '80s for competition—both in refuse collection and among "clean" disposal sites—might be worth a new look.—*T.K.*

Voters in four west-central Minnesota school districts approved a bond referendum 1,602 to 1,093 on Oct. 5 to build a new, joint high school under the state's Cooperative Secondary Facilities Grant Program. The districts received a \$6 million

state grant, which they will supplement with nearly \$5 million in local funds.

The hotly debated building proposal was defeated in three of the communities included in the four districts, but gained an overall majority. Voter turnout was extremely high, reaching 100 percent in Barrett—where the new school will be located—the smallest, but most centrally located of the four districts.

The building, slated to open in fall 1995, is designed for 500 seventh through 12th graders and will be the fourth joint high school constructed under the state program.—*D.S.*

The Board of Regents at the University of Minnesota has approved a proposal to seek \$41.3 million in legislative bonding authority for a new library archives building. Officials from public and academic libraries have been meeting with the University to discuss how they might rent space in a new facility to store portions of their collections that are not used regularly but need to be preserved.—*A.B.*

A friend finally found what has been waiting for: a newspaper willing to report the cost (of construction) per new rider attracted by light-rail transit. The *Twin Cities Reader* carried the number in an August report about ridership projections for the "central corridor" between the St. Paul and Minneapolis downtowns. The estimate: around \$200,000—about the same as the estimate by the St. Paul Planning Department a couple of years ago.—*T.K.*

Minnesota Journal
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Citizens League Matters

October 26, 1993

News for Citizens League Members

Welcome new members

Mr. and Mrs. John Curtin, Marsha Gronseth, Burl Haar, Steven J. Hengstler, Linda Maguire, Donald Mehus, Polly Nyberg, Jerry Ockenfels, Craig A. Schafer, Paul W. Spurduto, Winston Stellner and Lois Stevens.

New Firm Member

Metropolitan Health Plan, Minneapolis.

Thanks to recruiters

Thomas Owen.

Help!

1993 Member Get-A-Member Drive Continues

Building up individual membership is a crucial part of our development strategy. During 1993, the McKnight Foundation will match the dues paid by new League members.

To capture the full McKnight match, we need to recruit about 300 new members before the end of 1993. *Current members are the best recruiters.* Please call us with the names of colleagues and friends that you want to introduce to the League.

Reviews progress toward strategic direction

Board considers '94 strategy, names new members

At a special planning retreat at the Landmark Center in St. Paul, the Board of Directors reviewed the League's progress during the past year and set a course for 1993-94. The board will finalize a work plan for the year at its November meeting.

Development. The \$125,000 grant provided by the McKnight Foundation has restored the League's balance sheet. However, more work is needed to stabilize the League's long-term financial health.

This year's development effort, led by **Bill Johnstone**, will focus on four major objectives: (1) achieving the final portion of the McKnight matching grant, (2) stabilizing corporate contributions, (3) maintaining individual contributions and (4) expanding the League's demographic and geographic membership base. **Lila Moberg, Penny Hunt** and **Sarah Janecek** will be responsible for target groups.

Program. A speakers bureau will bring the League's messages to community organizations. In addition, the League will continue to expand opportunities for participation in League research through **SpeakUps!** and other activities.

The report of the State Spending committee will form the base of an intensive outreach effort with two goals. First, to

persuade legislators and other policymakers of the value of the League's proposals, and second, to show prospective and current members the benefits of Citizens League membership and involvement.

New members. At the October meeting, the board also elected five new members: **James William Johnson**, CEO of Amador; **Cathryn Kennedy**, an

executive with the public relations firm of Mona Meyer McGrath & Gavin; **Barbara Lukermann**, Senior Fellow at the Humphrey Institute of Public Affairs; **Carl Platou**, former Fairview hospitals chief executive now at the University of St. Thomas and **Claudia Ryan-Mosely**, a consultant to the Minnesota Business Partnership.

New standing committee chairs named

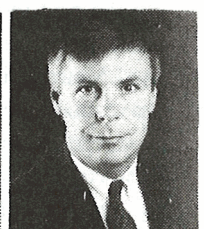
President Kent Eklund appointed 1993-94 chairs for three standing committees. The new committee structure reflects recommendations made by an ad hoc committee on board membership, duties and organization, chaired by **Peter Bell**.

Vice-president **Bill Johnstone** will chair the Development Committee, devising and implementing strategies to maintain and expand the

League's base of corporate and individual supporters. **Cathryn Kennedy** will chair a new Member Services Committee, which will create and maintain strategies that build a strong bond between members and the

League.

Robbin Johnson will head the Program Strategy Committee, which develops the League's research agenda and oversees implementation strategies for League recommendations. In



Bill Johnstone(l), **Cathryn Kennedy** and **Robbin Johnson** will chair standing committees in 1993-94.

addition, Treasurer **David Hutcheson** will lead a board effort to develop **SpeakUps!** and a speakers bureau. *Call the League office (612/338-0791) for information or to serve on a committee.*

Lively meetings on public sector pay continue

New Mind-Openers will focus on region's readiness for global competition

A new series of Mind-Opener meetings in November will throw a spotlight on whether the Twin Cities region is well prepared for a new era of global competition.

The League will co-sponsor the series with the Minneapolis/Hennepin County International Trade Office and the University of St. Thomas. The meetings will be held at the downtown Minneapolis campus of the University of St. Thomas, beginning in mid-November.

Speakers will include executives from local corporations, academics, and we may have officials from other countries. Watch your mail for details and the list of speakers.

The current series on issues of

public employee pay continues on Tuesday, October 26, with a presentation by Commissioner **Linda Barton** of the Minnesota Department of Employee Relations. On November 2, Teamsters union official **Jack Mogelson** will speak, and **Rod Kelsey** from DCA/Stanton will wind up the series on Friday, November 5. The public sector pay series is held at the Nicollet Island Inn, near downtown Minneapolis. Call the League office for reservations.

Looking ahead: Chances are good that we'll return to the University Club in St. Paul for a series of meetings in December. Call Allan Baumgarten or Phil Jenni at the League (612/338-0791) with your ideas for new meetings or your comments about past ones.

Housing committee SpeakUps! reach out to new groups

In the past month, members of the study committee on Housing and Metropolitan Development have moderated SpeakUps! with a variety of community groups. The committee is seeking input to supplement the information provided through testimony to the committee.

Groups participating in SpeakUps! include: the St. Paul Police Department, Neighborhood House in St. Paul, Project for Pride in Living, the West Hennepin Human Services Planning Board, Community

Action for Suburban Hennepin, and the Northwest YMCA in New Hope.

Thanks to these committee members who have led the discussions: **John Clawson, Pat Cragoe, Pat Davies, Bright Dornblaser, Kim Erickson, Patrick O'Leary, Ed Oliver and Mary Ann Van Cura.**

Citizens League staff summarize the perspectives offered at the SpeakUps! and report back to the full committee.

CITIZENS LEAGUE

A community resource

For more than 40 years, the Citizens League has helped shape the unique character of this metropolitan region. Here are some examples of Citizens League resources benefitting our community.

League publications and data sets now available

Minnesota Homestead Property Tax Review 1993.

The League's 27th annual survey of homestead property taxes in the Twin Cities and outstate cities.

Public Affairs Directory of the metropolitan area, 1993-94. An invaluable guide to the people and organizations that are involved with public policy in the state.

Minnesota Managed Care Review 1993. The League's fourth annual report analyzing key trends and issues in Minnesota's dynamic health care marketplace.

Associate Director Allan Baumgarten recently presented the report to a meeting of the Minnesota Chamber of Commerce and to a seminar on developing integrated networks. In December, he will present an overview of Minnesota's approach to health reform at a conference on state reform initiatives in Washington, DC.

Do you like your health care and local government finance data in mass quantities? You can buy the data sets we developed to produce the property tax and managed care reports. Sets are available in popular spreadsheet formats, like Excel and Lotus 1-2-3, for use on your PCs or Macintosh computers. Call Allan Baumgarten at 612/338-0791 for more information.

Thanks to volunteers

Two recent League projects benefited from the hard work of volunteers. Thanks to **Vincent DiPasquantonio**, who assisted with data entry and graphics for *Minnesota Managed Care Review 1993* and to **Tony Wyganowski**, who did background research for our current Mind-Opener series on public sector compensation.

In addition, **Cynthia Schaedig**, a Dakota County planner, has developed a plan for the League's office space needs. Her work will help the League evaluate options for office location after our current lease ends in October 1994. Our warm appreciation to all of our volunteers for their help.

"A Day in Open Space" set for November 18 and 19

Minnesota business leaders are nationally recognized for their awareness of the power and responsibility of business. On November 18 and 19 the Minnesota Chapter of the World Business Academy is sponsoring "a day in Open Space" exploring the issues of *Business Responsibility for the Whole*. Open Space is a unique process for dealing with complex issues. Call Susan Weyrauch (949-3687 or FAX 934-9268) for registration details. For other questions call Margaret Lulic at 920-0637.