



# STATE OF MINNESOTA

## Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 24, 2011

The Honorable Michelle L. Fischbach  
President of the Senate  
226 State Capitol  
St. Paul, Minnesota 55155

Dear Madam President:

With this letter, I am vetoing and returning Chapter 41, Senate File 760, a bill establishing the Health and Human Services budget for fiscal years 2012 and 2013.

This Health and Human Services bill, passed by the House and Senate, would cause devastating harm to many thousands of Minnesotans, which I will strongly oppose. I cannot support a \$1.8 billion reduction in health and human services spending. A reduction of this size jeopardizes the progress Minnesota has made in providing health coverage for the uninsured, supporting our seniors in their communities, offering treatment and community support for people with mental illness, and establishing a public health infrastructure that protects all Minnesotans. I understand the need for belt-tightening and I embrace the need for reform. But, I do not accept that Minnesota must go backward in the support we provide to our most vulnerable citizens. We are better than that.

I find it unconscionable that this bill eliminates health care coverage for over 140,000 people. If all of those losing coverage comprised a new community, it would be the third-largest city in Minnesota, far ahead of the populations of Rochester and Duluth. This is accomplished in part by the repeal of the expansion of Medical Assistance to adults without children implemented under my Executive Order. I have made it very clear, but I will repeat it yet again: I will veto any legislation that repeals the expansion of Medical Assistance. This expansion has provided access to quality, comprehensive health care for 100,000 of Minnesota's poorest and most vulnerable citizens. This expansion leverages \$1.5 billion in federal funds over three years. I fail to understand why, in a time of fiscal and human need, we would not take advantage of this opportunity.

I am concerned the bill reinstates the Coordinated Care Delivery Systems (CCDS) and creates a new voucher program to provide health care for a substantial number of low-income people. The CCDS is a significant step back from the opportunity

provided by the expansion of Medical Assistance. It is also dramatically underfunded for the 125,000 people who would have no access to other care. The voucher approach, with its significant cost-sharing, garners much of its budget savings because about one-third of the people cannot afford it and will simply go without coverage.

Ensuring our citizens have health care coverage is also critical to supporting a strong health care infrastructure. This bill puts that infrastructure at risk not only by the dramatic reductions in coverage, but also by making significant reductions to the funding that supports medical education. Minnesota faces major health care workforce shortages as both the population and our current workforce of physicians, pharmacists, and others age at the same time. These shortages are most acute in Minnesota's rural and underserved areas, where vacancies are hardest to fill. These reductions will have a major impact throughout the state affecting the education, training, and recruitment of nearly 3,500 health care jobs critical to the health and well-being of our citizens and the future of our state. The bill also marks a retreat from our efforts to make Minnesota a healthier state by addressing life style drivers of health care like obesity and tobacco use and closing the gaps in health outcomes in our communities of color.

We have made so much progress in health care over the last two decades in Minnesota. I will not allow that progress to be turned back in one year.

I also have grave concerns that this bill restricts Minnesota's ability to implement the Affordable Care Act (ACA). This sets Minnesota back in terms of expanding health care coverage opportunities for families and puts us at risk of non-compliance with Medicaid law, unnecessarily risking billions of dollars in federal revenue. The ACA is a path forward for lower health care costs, and Minnesota must be on that path.

This bill also moves Minnesota in the wrong direction in the care of seniors and people with disabilities. Minnesota has pursued a decades-long, bipartisan strategy that supports people in their homes and in the community so they do not need to live in institutions. Yet 98% of the reductions to long-term care are to home and community-based services with only 2% to institutions. The bill would force 1,500 people into nursing homes. This is bad public policy; not only is it much less costly in the long run to support people in their homes and the community, but this is where seniors and people with disabilities want to live. We should not move backward in an area where we have had so much success.

The bill would also undo much of the progress we have made to support people experiencing mental illness, specifically undermining the bipartisan reforms passed in 2007. Reducing community grants that support people with mental illness and repealing the expansion of Medical Assistance, undermine the successes we have accomplished in keeping people out of institutions. We must not return to a system where too many of our mentally ill citizens end up in jail, emergency rooms, and psychiatric hospitals.

I am also dismayed this bill takes aim at many of our very poorest and most vulnerable citizens. The bill would eliminate the General Assistance program that provides \$203 a month to 20,000 Minnesotans who cannot support themselves due to illness, age, or disability. Without this necessary support, many of these Minnesotans would be at risk of becoming homeless, and would severely strain the basic safety net our already over-extended counties are striving to maintain.

Moreover, the bill makes many short-sighted reductions to services that support vulnerable families and children. For example, the 50% reduction in the home visiting program undermines a proven program that stabilizes low-income families and supports healthy child development. Likewise, cutting family planning grants in half severely limits access to primary and reproductive care for women. Both of these programs have been proven to improve outcomes and lower costs. The bill also reduces funds counties and tribes use to protect children who have been abused or neglected. In each instance, these reductions will result in more deep-end service costs down the road.

We must agree that budget bills cannot be vehicles for divisive policy provisions. SF 760 includes several problematic policy provisions. Of particular concern in this bill are:

- Prohibition on stem cell research: This provision will halt important, ongoing, and future research into promising treatments for chronic diseases, traumatic injuries, and genetic disorders. This prohibition will deeply affect the state's emerging biotechnology industry and reduce jobs in this important sector of our economy.
- "Freedom of Choice Act": This provision attempts to nullify the Affordable Care Act requirement that all individuals get health care coverage by 2014. Minnesota does not need to wade into this debate; the courts will determine if this provision of federal law is constitutional. This is in addition to the policy language previously mentioned that would prohibit all state activities in compliance with this enacted federal law.

- Nursing home rate equalization: This will lead to a two-tier system of nursing care for our seniors and, over time, will increase long term care costs for thousands of Minnesotans.
- Residency requirements: The bill imposes a residency requirement for the Minnesota Family Investment Program. Such requirements are unconstitutional; including it in the bill, will only lead to litigation and the associated costs.
- Nurse licensure compact: The Nursing Compact will introduce multi-state licensure and compromise Minnesota's high quality nursing standards by issuing an open invitation to any nurse practicing anywhere in the country, while ignoring our academic and clinical requirements.

The bill also fails to make necessary investments recommended in my budget. These investments must be part of the health and human services budget to address federal compliance concerns and program growth:

- Funding must be provided for the growth in the Minnesota Sex Offender program to ensure Minnesota meets the treatment needs of this population and provides for the safety of the public.
- Full funding for growth in the Adoption Assistance program is necessary to support families who adopt abused and neglected children with special needs and to ensure federal compliance and continuation of federal funding.
- Compliance with federal Medicaid law requires we delay implementation of eligibility changes passed in 2009. Failure to pay for this delay could put billions of dollars in federal Medicaid funds at risk.
- Funding must be provided to continue the activities outlined in the bi-partisan 2008 health care reform bill. In passing the 2008 law, policy makers recognized the health care system has unsustainable health care cost growth and uneven quality. The law provided temporary funding for MDH to collect and report critical information about costs, quality, and overall value of health care services for consumers and purchasers. Continued funding is crucial in controlling the rate of health care cost growth and promoting quality improvement. The law also established the statewide Health Improvement Program (SHIP) that addresses the leading drivers of health care costs, tobacco use and obesity.
- We must meet the challenge of streamlining health care eligibility processes by leveraging federal technology funding.

I am also concerned about the size of the reductions to the administrative budgets of the Departments of Health and Human Services. Over the last three years the DHS and MDH operational budget has been reduced over 15%. For DHS, this bill will reduce

another \$13.9 million a year, resulting in a loss of 123 full time positions. For MDH, the bill will reduce operational budgets per year by another \$3 million, of which \$2.5 million is general fund. This equates to a reduction of 20 FTEs in MDH.

The interactions with the State Government bill will only exacerbate this impact and extend reductions to the patient care functions of the Department. An impact of this magnitude, risks public safety, patient care, and program integrity.

We must continue to move Minnesota's health and human services systems forward. I do believe we can work together to accomplish that. I understand reductions must be made in the health and human services budget in order to balance the state budget. I note that SF 760 includes many of the reductions to health and human services, which I included in my budget. While those reductions are painful, I am encouraged we have found common ground in some areas.

I am also encouraged we have a common interest in reforming how we pay managed care organizations. We must ensure we are paying only what is necessary to provide people with access to quality health care. We also have a common interest in reducing fraud and improving the integrity of our health care system. I also support initiatives that lead to more efficiency and coordination among state agencies in our licensing, regulation, and data collection efforts.

I share your interest in seeking flexibility from the federal government so we can improve Minnesota's health care system in a way that meets Minnesota's unique needs. Some aspects of the CHOICE waiver in SF 760 align with the recent request for information published by the Department of Human Services to encourage development of new health care delivery system models. The Request for Proposals being issued later this spring by DHS to develop new models of care delivery can serve as a foundation for achieving the overarching goals of the waiver. This includes allowing providers and others to mutually benefit by working together to improve health outcomes, improve quality of care, and provide better coordination of care and patient experience, while also reducing the total cost of health care.

Budgets are about priorities, and priorities are about choices. We can choose to work together, compromise, and create a budget that fairly spreads the burden we must all shoulder if we are to weather these tough times and position Minnesota for future success.

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Compromise is never easy, because each person must give up something that is important. Compromise requires us to agree to items that we don't agree with. That is the only way we will reconcile our differences on the state's budget. With that in mind, I am returning this bill to you with the hope that we can come together to find a balanced solution: one without these deep, damaging cuts, and one which achieves the balance most Minnesotans have said they want in a budget solution.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Dayton". The signature is stylized and cursive.

Mark Dayton  
Governor

cc: Senator Michelle L. Fischbach, President of the Senate  
Senator Amy T. Koch, Majority Leader  
Senator Thomas M. Bakk, Minority Leader  
Senator David W. Hann  
Representative Paul Thissen, Minority Leader  
Representative Jim Abeler  
The Honorable Mark Ritchie, Secretary of State  
Mr. Cal R. Ludeman, Secretary of the Senate  
Mr. Albin A. Mathiowetz, Chief Clerk of the House of Representatives