

# New Deal legacy of Social Security and Medicare addressed at COACT Farm Picnic

## Should these programs continue unchanged in today's economy?

The answer to this pressing question was addressed at COACT's 31st Farm Picnic, Sunday, August 21 at Pierz, which for 31 years has served as Central Minnesota's "market place of ideas" on economic justice issues.

"Social Security is a compact with the American people that must be honored," former Congressman Rick Nolan told 117 picnickers after they sat down to the traditional country dinner of ham and sweet corn. "And Medicare must not be turned into a voucher system for insurance companies, which will mean higher costs and less treatment," he said.

Social Security can be solvent for future generations by the very rich paying Social Security taxes on a higher percentage of their incomes, he said.

Nolan was among District 8 Congressional Candidates, area legislators, and elected officials invited to the Picnic to respond to this year's "open-mike" topic on proposed changes for these programs in today's struggling economy. Incumbent Chip Cravaack and Candidate Tarryl Clark did not attend.



COACT member Barb Anderson and Rick Nolan discuss the single-payer MN Health Plan in terms of "Medicare-for-All".

## Social Security is pro-business

During the Great Depression of the 1930s, government realized it had to act to preserve consumer buying power to sustain the economy, Royalton City Council Member Al Doty told the audience. Therefore, it enacted Social Security, which was, as it is now, a "pro-business program".

The worker / business-funded trust kept consumers spending, so businesses could keep hiring. This kept private enterprise going, and we were able to climb out of the Depression in time to win World War II.



Al Doty (right), Al Perish of Todd County Farmers Union (left), and MN Farmers Union Gov't. Relations Dir. Thom Petersen discuss Social Security's importance to businesses and family farms.

**Social Security keeps 40 percent of all Americans age 65 and older out of poverty**, as it sustains business, Doty said. If Social Security dies or is dismantled, 40% of the 55 million beneficiaries (22 million people) lose their buying power, which means they can't buy, and business and hiring will decline. Main street businesses and family farms will die first and be replaced by giant corporations.

Social Security and Medicare have plenty of money to stay solvent, due to worker-business contributions to the trust fund. Therefore it must be protected from those who would raid it, he advised.



117 picnickers enjoy the Picnic dinner and discuss the issues.

**16<sup>th</sup> Annual Members Meeting**  
**Last Saturday in October, 10 AM**  
**St. Francis Center**  
**116 SE 8<sup>th</sup> Avenue, Little Falls**  
**• Board Elections 11:00 AM**  
**• Free Lunch 12:00 Noon**

# HMO contractors of state programs hold billions in unaccounted tax dollars; COACT informs Main Street

**As state legislators scrambled to cut Minnesota's \$5 billion budget deficit** during the session, revelations of unaccounted billions in tax dollars held by HMO contractors created quite a bipartisan buzz at the Capitol.

Testimony from David Feinwachs, former chief counsel of the Minnesota Hospital Association, revealed that these contractors, which run the state health programs, have *never* been audited. His effort to get accountability is supported by the Minnesota Medical Association.

These state programs, including MinnesotaCare and Medical Assistance, were originally administered by the Department of Human Services at a 5% overhead until the early 1990s when they were contracted out to HMOs at 20% overhead and at taxpayers' expense — an expense that has reached \$3.2 billion annually.

Unlike other state contractors, getting full disclosure on the HMOs' spending never happened, and it has become a "\$3 billion black box," Feinwachs said at a special February 8 House Health Committee hearing.

From these billions, the HMO contractors (Blue Cross, Medica, HealthPartners, UCare) have built reserves totaling \$1.25 billion, which is way beyond what is required for paying claims, according to the *Star Tribune*. *Politics in Minnesota* reports the collective reserves at \$2.5 billion.

The *Tribune* further reports that HMO contractors make more profit off the public programs at 4.1 percent than from their commercial business at 1.6 percent. Medica's margin is 7.9 percent.

Not surprisingly, *The Wall Street Journal* reports that *private* health insurers consider the *public* Medicaid program a major growth area.



Sen. John Marty, left, and David Feinwachs, former Chief Council of the MN Hospital Association, address the cost inefficiencies of HMO contractors at an MUHCC gathering. .

**At the packed committee hearing,** members of COACT and the Minnesota Universal Health Care Coalition (MUHCC) saw the frustration of legislators as they tried to get straight answers.

Getting none, Senator John Marty introduced an **HMO oversight bill, SF 457**, that requires HMO contractors to be audited like other state contractors.



COACT President Charlie Quick informs Pierz Automotive owner Jim Gruber of the pro-business / pro-taxpayer HMO oversight bill .

## COACT informs businesses of SF 457

This summer, COACT members visited 200 Central Minnesota business owners on the bill with the handout shown below. "We've been telling them that the only way to make HMOs accountable is for businesses and taxpayers to tell our legislators to hold hearings on the legislation," COACT President Charlie Quick said. "More of our money is at stake here than in many of the other budget proposals being heard."

### HMOs hold unaccounted billions in tax dollars

- 3.2 billion in unaccounted tax dollars are paid annually to HMOs to run the state's health programs like MNCare.
- HMOs have never been audited since they were contracted to run the programs in the early 1990s.
- Other state contractors are audited.
- HMO contractors have hoarded reserves of \$1.25 billion to \$2.5 billion, beyond the requirement for paying claims.
- HMO contractors make more profit from the state programs at 4.1% than from their commercial business at 1.6%. Medica's profit is 7.9% from the programs.

### Audit the HMO Contractors!

#### SF 457 will hold them accountable to taxpayers:

1. audits that are regular and independent,
2. public disclosure of financial records,
3. competitive bidding for state contracts,
4. ensures tax dollars pay for health care, not HMO profit.

