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Fighting health care inflation by removing HMOs from state programs with deprivatization bill

HMOs unable to restrain economic Frankenstein of health care inflation

While rising costs of health care and coverage continue to be a nightmare for us and our families, health care inflation is bankrupting all sectors of our economy- labor, farms, corporations, main street businesses, and government at all levels.

Under the HMO managed care system, growth in health spending was 8.2 percent in 2002 and 6.6 percent in 2003 compared to growth of the Consumer Price Index at 1.6 percent and 2.3 respectively in those years, according to the Kaiser Family Foundation. Health spending is now 15.6 percent of our Gross Domestic Product (GDP) compared to an average of 8.6 percent in countries with universal health care.

Governor Tim Pawlenty said high health spending was a major cause of the state's budget deficit which led to the extra session and government shutdown.

Escaping from the inflation monster

Much of health care inflation is caused by high HMO administrative overhead of 20 percent, compared to a small fraction of that for programs that directly purchase health services. Medicare spends only 3 percent on administration; and 20 Minnesota counties, which now directly purchase health services for their public health programs, spend only 8 to 9 percent.

While there's always talk of businesses leaving the state to escape taxes, Minnesota businesses are definitely leaving HMOs to escape rising premiums which have surpassed taxes as business's number one problem, according to the National Federation of Independent Business. Fifty-six percent of Minnesotans with health insurance in 2002 were in self-insured company plans, up from 46 percent in 1996. The Buyers' Health Care Action Group (BHCAG), a coalition of Minnesota's largest corporations, reduced employee coverage costs by 11 percent after cutting out HMOs and becoming self-insured.

HMOs now dependent on government

To survive the loss of defecting businesses, HMOs have become dependent on government by contracting to administer the state's health programs. Medica, the state's largest HMO, gets 64 percent of its net income from public health clients who comprise 33 percent of its enrollment. Blue Cross made \$37 million from its state Medicaid (MA) program in 2004 after losing \$3.5 million on its employer groups. Minnesota's MA programs are straining the state budget, but they continue to provide profits for the HMOs, the *Star Tribune* reported in May, 2005.

If businesses and counties are leaving wasteful HMO administration, should state programs be deprivatized?

Of the \$20 billion spent in Minnesota annually on health care, \$4 billion is spent on administrative overhead. Much of that overhead is in the state's health programs, which spend 20 percent to have them administered by HMOs. In 2004, state government paid HMOs \$1.68 billion to provide care for MinnesotaCare, Medical Assistance (MA), and General Assistance Medical Care (GAMC) enrollees; 20 percent of that money was for HMO administration.

Before these state health programs were privatized in the 1980s by being turned over to HMOs for administration, they were administered directly by the Department of Human Services at an overhead of 5 percent compared to the HMOs' 20 percent. These privatized programs were supposed to have been evaluated, but the review was never done, and their privatization became law.

COACT advocates deprivatization bill which resulted from meetings with legislative leaders Entenza and Lourey

"Because privatization has not saved taxpayer dollars, and has instead created waste, we advocate legislation to remove this failed experiment," said Barb Hill, one of COACT's representatives to the Minnesota Universal Health Care Coalition (MUHCC)

In November and December, MUHCC representatives met with House Minority Leader Matt Entenza and Senate Health Committee chair Becky Lourey who agreed the time has come to deprivatize the programs and have them administered by the Department of Human Services (DHS). Entenza got MUHCC's proposal drafted into a bill which will be introduced in the state legislature this session, and Lourey promised to have it heard in her committee.

"Eliminating administrative waste is a basic element of single-payer, so having DHS administer the programs will be a big step toward a state single-payer program," said COACT president Jeff Kunstleben, who, as a dairy farmer, sees rising health coverage as a major blow to farm families.

Specifically, the legislation makes deprivatization of MinnesotaCare, MA, and GMAC effective January 1, 2008. If DHS administered them in 2004, there wouldn't have been the 20 percent HMO overhead included in the \$1.68 billion that the state paid the HMOs, which would have saved taxpayers \$336 million. Instead of savings, the waste and inflation will continue beyond 2008 if the bill isn't passed.

COACT working to keep power of eminent domain to original intent

Court ruling endangers public good

COACT's board determined at its January 28 meeting that the recent U.S. Supreme Court ruling on eminent domain (*Kelo v. New London, Connecticut*), which sanctioned Pfizer Pharmaceutical's takeover of a residential neighborhood, endangers the rights of property owners and the public good. The Court's ruling now allows states to determine if eminent domain can be used to take private property for economic development. This opens the way for commercial profit to be made beyond the Constitution's original intent of "public use", the board said.

The new ruling says a private party, such as a commercial developer, can take any property if local government decides it is for a public purpose, such as generating more tax revenue. Private property that was previously taken for public use, such as roads, bridges, schools, and hospitals, now can be taken for the purpose of so-called economic development, even though the real beneficiaries may be giant corporations, such as Best Buys and Wal-Marts.

COACT sides with Justice O'Connor; Board proposes citizens' amendment

Justice Sandra Day O'Connor, in her dissenting opinion, warns that "the specter of condemnation hangs over all property. Nothing is to prevent the state from replacing any Motel 6 with a Ritz Carlton, any home with a shopping mall, or any farm with a factory." She concluded that in cases that are "wholly divorced from the text, history, and structure of our founding document, we should not hesitate to resolve the tension in favor of the Constitution's original meaning."

"Because COACT's mission is economic justice for all, the board concurs with Justice O'Connor's opinion," said President Jeff Kunstleben. Therefore, to help protect the U.S. Constitution's original meaning in our state, COACT's board decided to propose a "Citizens' Amendment" to Minnesota's Constitution, which basically calls for prohibiting the power of eminent domain from being used for private profit over public good.

"Citizens' Amendment" poster campaign launched in Central Minnesota

To help rally public support for the amendment, COACT drafted, printed, and is distributing "Citizens' Amendment" posters to businesses in Central Minnesota," Kunstleben announced.

More will be handed out along Main Street with our annual Farm Picnic visits," he said. "The public support which we expect to generate from our campaign will be directed to state legislative efforts that protect the Constitution's original intent of eminent domain."

Citizens' Amendment to the Minnesota Constitution

"The purpose of the Citizens' Amendment is to set a standard that can not be easily undermined by those who have divorced themselves from the principle of privately-owned property for economic and political gain," Kunstleben said.

Over the background of the U.S. Constitution and beside the Spirit of '76, the poster message says the following:

"The power of eminent domain shall only be used to provide quintessentially public goods, such as roads, bridges, schools, hospitals, and parks, etc., which are actually used by the general public. Hence, only for 'public use'.

The power of eminent domain shall not be used for 'the taking of private property for transfer to a private entity for the purpose of economic development or enhancement of tax revenues'. Exemptions are abandoned property and blighted environmentally contaminated areas of more than 60 % of properties."

COACT on side of NAACP and AARP

In their opposition to the new ruling, the NAACP and AARP said the following: "Should this Court affirm the Connecticut Supreme Court's holding that pure 'economic development' constitutes a public use for eminent domain purposes, legislative majorities will be able to infringe on the property rights of minorities and allocate the burdens of economic development to less politically and economically powerful groups — those least able to bear this burden."- Amicus brief on behalf of the NAACP, AARP, et. al

It was Connecticut's Supreme Court that approved the Pfizer land grab from homeowners, which, in turn led to the U.S. Supreme Court's decision favoring it.

In his op-ed opposing the Court's decision, *Washington Post* columnist George Will asks: "Does the Constitution empower governments to seize a person's most precious property- a home, a business- and give it to more wealthy interests so that the government can reap, in taxes, ancillary benefits of that wealth? Connecticut's court says 'yes,' which turns the Fifth Amendment from a protection of the individual against overbearing government into a license for government to coerce individuals on behalf of society's strongest interests. Henceforth, what home or business will be safe from grasping governments pursuing their own convenience?"

11TH ANNUAL MEMBERSHIP MEETING

Saturday, October 28, 2006, 10 AM - 2 PM

Minnesota COACT Conference Room

2469 University Avenue, St. Paul

Registration 9:30, Board Elections 12:30