



Minnesota Academy of Otolaryngology

Capitol Update

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There has been a great deal of anxiety and tension at the capitol these past two weeks in anticipation of the Governor's proposal to balance the state budget. Unfortunately, when Governor Tim Pawlenty released his proposal on Tuesday, January 27 there was no relief. Details about the Governor's crippling proposal follows but the bottom line is that a staggering 84,000 adults are expected to lose their health care coverage, provider reimbursement rates would be cut, and the provider tax would be permanently attributed to the General Fund.

Governor's Budget: No New Taxes and Deep Cuts in Health and Human Services

Last Tuesday was painful for health care providers as Governor Pawlenty unveiled his budget proposal for the 2010-2011 biennium. If you recall, the state budget was projected to be in a deficit of nearly \$5 billion dollars in November. Insiders expect the deficit to have grown to at least more than \$6 billion by the time the next forecast is released at the end of February.

The Governor proposes a net cut in spending of 2.2% or \$750 million over the current state budget. His \$33.6 billion proposed budget includes \$1.3 billion in accounting shifts, \$983 million in revenue from selling the rights to half of Minnesota's ongoing tobacco payments and \$920 million in federal aid expected from a federal stimulus package. Pawlenty earmarks \$860 million for tax cuts, new spending including increases for public schools and for replenishing the state's now-empty rainy-day account. He also proposes a wage freeze for all public employees including teachers.

According to the Governor "we are not able to continue to fund everything at ever increasing levels so tough decisions need to be made about what is most important to Minnesota." However, he may be delaying some of those tough decisions because he uses one-time money to pay for 60% of the deficit.

The proposal provides \$2.5 billion in spending cuts—some of it offset by increased spending in other areas.

He proposes the following changes over the forecasted increases:

K-12 Education—a 1.1% increase tied to reforms

Higher Education—a 9.9% decrease

Property Tax/Local Aids—a 15.3% decrease

Health and Human Services—a 10.3% decrease

Debt Service/Capital Projects—a 89.6% decrease

All other areas—a 1.8% decrease

The Governor made drastic changes in basic healthcare. The Governor's budget proposal:

1. Eliminates the GAMC hospital only program, the transitional MinnesotaCare program, and MinnesotaCare eligibility for all adults without children, effective 1-01-10. (\$508.1 million State savings)
2. Eliminates MinnesotaCare eligibility for parents (adults with children and caretakers) effective 7-01-10. (\$65.7 million State savings).
3. 3% reimbursement rate reduction for basic care services in the MA and GAMC programs; including inpatient hospital services, outpatient services, physicians, mental health, etc. (\$96.3 million State savings). The proposal also increases the PMAP (health plan managed-public programs) withhold from 5 to 8 percent.
4. Eliminates the Health Care Access Fund and transfers both the fund surplus and all future revenue to the General Fund. Essentially, the 2% provider tax on doctors and hospitals that was initiated to provide access to health care will now pay for roads, schools, etc.
5. Eliminates several of the 2007 reforms to reduce barriers to public program enrollment including certain MinnesotaCare premium reductions; MinnesotaCare premium grace month and additional month for enrollees who fail to submit renewal forms, automatic MinnesotaCare eligibility for children, and outreach incentive grants of \$25.
6. Eliminates dental, chiropractic and podiatric care for non-pregnant adults over 21. This saves the state about \$40 million. It also eliminates the critical access dental add-on under the MinnesotaCare and Medical Assistance programs. (\$12.3 million State savings)
6. Reduces funding for the Statewide Health Improvement Program (SHIP) from \$47 over two years to \$24 million over four years. This was passed as part of the health reform legislation to reduce chronic diseases by targeting interventions to reach the broadest population possible including schools, worksites, communities and health care.
7. Reduces DHS administration costs by \$12 million.
8. Reforms payments for Chemical Dependency providers and delays new mental health initiatives.
9. Limits Medical Education Research Costs (MERC) carve-out of MA capitation rates to comply with new federal requirements, restores FY 2009 MERC payments-\$38 million and delays transferring of MERC funds from DHS to MDH—this is a one-time saving.
10. Includes \$350,000 per year for base funding for the Center of Health Informatics to ensure implementation of the e-health requirements.
11. Replaces activities associated with defining an “essential benefit set” with a less expensive study on value-based insurance design using existing Health Economics Program research capacity.

While children currently enrolled in the state’s safety net programs were spared, the size of these cuts will put a real strain a physicians and other providers who provide services through our health care safety net programs. It will be difficult for providers who see a large number of public programs, particularly for hospitals and those who see adults, to continue to cover their costs with these cuts.

The next step in the process is for the respective committees to hold hearings on the Governor's budget to better understand the rationale behind his decisions. They will begin creating their own budget following the next budget forecast which is scheduled for the first week of March.

Health Coverage Proposals

Senate and House health committees heard numerous proposals to provide more subsidized coverage for more Minnesotans. In the Senate the Senate Health & Family Security Committee heard [SF 118](#) (Marty), the Minnesota Health Plan on January 19. The purpose of the bill is to "provide all medically necessary health care services for all Minnesota residents..." through the creation of a state health plan. The bill would prohibit the sale of private health insurance in Minnesota. Even though most legislators believe there is no money to do this in Minnesota, the bill was passed and re-referred to the Senate Commerce & Consumer Protection Committee. The House companion, HF 135 (Bly) has not been scheduled for hearing.

In the House Health & Human Services Oversight & Policy Committee they heard two bills related to coverage. The first was [HF 42/SF 347](#) (Thissen/Bonoff), to make it easier for Minnesotans who are receiving unemployment compensation to qualify for MinnesotaCare. It would waive the four-month waiting period and waive asset and spouse income from eligibility calculations. The bill was laid-over for further discussion at a later date.

The second House bill was [HF 174](#) (Thissen), the Minnesota Health Security Act. This is the new version of the Children's Defense Fund "cover all kids" bill. It would eliminate any premiums for children in families earning less than 200% of the poverty level, it would eliminate the four-month waiting period for children under 200% of poverty and those coming out of corrections or foster care, and allows families above 275% of poverty to buy into MinnesotaCare at the full premium cost. This bill was heard on January 28. The Senate companion, SF 9 (Lourey), has not been scheduled for hearing.

Committee Deadlines Proposal

The Legislature has set a series of committee deadlines designed to keep bills moving and help them to ensure that bills move in a timely manner. This year they have adopted six deadlines, as opposed to three deadlines in the past.

The first deadline is March 27 when all bills must be passed through all policy committees in one body or the other. The second deadline is April 7 when all bills must be passed through all policy committees in both bodies. The third deadline is April 15 when the different finance divisions must be done with their omnibus spending and tax bills.

Added was a fourth deadline, April 22, when all the omnibus spending and tax bills must be on the floor; fifth deadline, May 7, when all omnibus conference committees must be done, and a six deadline, May 12, when all omnibus bills will be delivered to the Governor for his signature or veto. These three additional deadlines attempt to allow sufficient time for public input on large omnibus bills and time for the legislature to attempt to override bills vetoed by the Governor.