



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

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

July 27, 2009

Senator Amy Klobuchar

Congresswoman Betty McCollum

Senator Al Franken

Congressman Keith Ellison

Congressman Tim Walz

Congresswoman Michele Bachmann

Congressman John Kline

Congressman Collin Peterson

Congressman Erik Paulsen

Congressman James Oberstar

Members of the Minnesota Congressional Delegation:

I write to express my significant concerns regarding the Affordable Health Choices Act of 2009 in its current form.

Healthcare reform is desperately needed. In Minnesota, our state-funded healthcare expenses are growing in excess of 20 percent each two-year budget cycle. If left unchecked, this unsustainable growth will bankrupt our state and nation, and it will severely impact our ability to invest in other priority areas such as K-12 education, higher education, military and veterans programs, and public safety.

Minnesota has implemented nation-leading healthcare reforms that have begun to rein in the growing costs of healthcare and create true value for consumers. Our Q-Care initiative matches improvements in chronic disease treatment with financial compensation. Our numerous price and quality transparency initiatives have created a wealth of "value" information for consumers to evaluate the quality and cost of physicians, hospital systems, and even nursing homes. Finally, our state employee healthcare plan, Minnesota Advantage, has demonstrated positive results linking outcomes to value, resulting in premium increases year over year significantly less than the national average. In fact, we have had two years in the last five in which our premium increase was zero percent, year over year.

The proposed federal legislation, unlike the changes we have made in Minnesota, does not meaningfully link quality and cost to any real value for consumers. Health care reform must include payment reform that would take us from the current "pay for volume" structure to a "pay for quality outcomes" structure.

Instead, this legislation levies a huge new tax structure on an economy that is already struggling with the worst recession since before World War II. The misleading "tax the rich" rhetoric is nothing more than an attack on small businesses, since more than 90 percent of Minnesota small businesses file their state and federal income taxes as individual filers. When the vast majority of jobs are created by small businesses, Congress should not tax them to an even higher degree.

In addition, this legislation will worsen the nation's already unacceptable federal budget deficit. The proposed tax increases do not come close to paying for the proposal, and assertions that the remaining costs will be covered by unspecified "reductions in waste, fraud, and abuse" are simply not reliable.

The health care reform bill before Congress is similar in some respects to the experiment undertaken in Massachusetts. That state's experience should caution Congress against this approach. In both cases, the focus has been on expanded coverage and not reform or cost containment. While the Massachusetts plan has been successful in bringing down the number of uninsured, costs have been significantly higher than expected. The original budget for the Commonwealth Care subsidized program was estimated at \$387 million. It doubled in the first year to \$630 million. The estimated cost in 2009 is \$1.3 billion. The *Boston Globe* recently reported a current short-term funding gap of \$100 million and the need to obtain a new three-year funding commitment of \$1.5 billion from the federal government. Since its passage, the state has had to go back and raise additional taxes and fees, including a \$1 per pack increase in the tobacco tax and additional assessments and fees on health care providers.

A government-designed benefits package would also limit flexibility and dictate to the market what the federal bureaucracy believes Americans should or should not have in their health care coverage. This approach will lead to standardization of benefits, reduced options for consumers, and will encourage overutilization of

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a system that already suffers from consumers who are disconnected from the real costs of healthcare.

The notion that a government-run health insurance program will succeed flies in the face of common sense. This is not the time to introduce new bureaucracy into a system already bloated with regulations. As the American Medical Association notes, the regulatory environment should "enable rather than impede private market innovation."

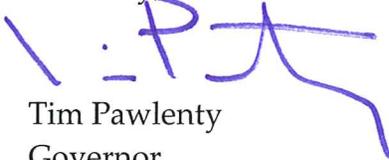
This flawed attempt at health care reform would do little to solve the health care cost crisis facing our nation. I encourage you to abandon this legislation and instead evaluate what states have done to improve health care quality and make health care more accessible and affordable.

Health care reform must address all three key aspects of the system: cost, quality and access. Focusing only on access while neglecting cost and quality would be a dramatic mistake.

Surely, there are many commonsense elements that could form the basis for bipartisan health care reform, including: medical malpractice reform, prohibiting coverage denials based on pre-existing conditions, guaranteeing portability, electronic prescriptions and medical records, streamlining billing codes and practices, price and quality transparency, pay for performance measures, medical homes, chronic disease management initiatives, tax equity for health insurance purchases, increased incentives for health savings accounts, creating the ability to purchase insurance or form risk pools across state lines, and much more.

I respectfully urge you to focus on cost containment, not just access expansion, and pursue these opportunities on a bipartisan basis. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Pawlenty". The signature is stylized with a large initial "T" and "P".

Tim Pawlenty
Governor

Via email and U. S. mail