



DEDICATED TO ESTABLISHING SINGLE-PAYER
HEALTH CARE FOR ALL MINNESOTANS
THROUGH ADVOCACY, EDUCATION, LOBBYING AND
COMMUNITY ORGANIZING AND COMMUNITY
ORGANIZING



Cynthia Mann
Director of the Center for Medicaid and State Operations
Department of Health and Human Services
Baltimore, Maryland 21244-1850

May 17, 2011

Dear Ms. Mann,

The Minnesota Universal Health Care Coalition urges you to evaluate the performance of insurance plans participating in Minnesota's Prepaid Medical Assistance Program before renewing their section 1115 waiver. The standards your agency applied in Florida are reasonable and welcome. The evidence found here in Minnesota indicates that insurance plan practices are at least as self-serving and injurious to good stewardship of public funds.

MUHCC is a coalition of 5,000 individual Minnesotans and sixteen state-wide organizations concerned with providing comprehensive and affordable health care to all residents of the state. We are united in our belief that our annual public payment of \$3.2 billion to the private plans in PMAP are not subject to adequate oversight nor auditing standards.

The Minnesota statute establishing the “demonstration project” that eventually morphed into PMAP promised a thorough, rigorous study to determine whether outsourcing of publicly-funded medical services was more cost-effective than direct administration by our Department of Human Services (DHS). That was seventeen years ago.

The promised study never happened, enabling our insurance plans to expand the program with no evaluative oversight. Indeed, a front page headline in our dominant newspaper on March 13, 1994 reads “Study shelved after HMOs complained. A study that raised concerns about how well HMOs serve the poor fell on deaf ears at the Human Services Department.” (Star Tribune, 3/13/94, p. 1 and ff.)

In the meantime, Minnesota Attorney General, Mike Hatch, launched an investigation of a major Minnesota insurer, utilizing independent, third-party auditors. Their findings directly contradict the level of administrative overhead that the plans continue to report to this day. While the plans claim administrative overhead of 9 or 10%, the auditors found overhead rates of up to 47%. The discrepancy traces to accounting practice by the plans that assigns executive perks, sales celebrations and other inappropriate charges to “medical expense.” (Star Tribune, 3/21/2001, “Hatch attacks Allina's perks”)

Thus, the Minnesota public still has no evidence that their PMAP tax-dollars are better spent by private insurance plans nor that the accounting on the part of the plans and provided to the Department of Human Services has any validity.

We urge you not to automatically renew Minnesota's section 1115 waiver until you have received good evidence that these serious problems of transparency, accountability and cost-effective quality have been resolved.

Thank you.

Lisa Nilles, M.D.
Director, Minnesota Universal Health Care Coalition

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