



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

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

May 23, 2008

The Honorable Margaret Anderson Kelliher
Speaker of the House of Representatives
463 State Office Building
Saint Paul, Minnesota 55155

Dear Speaker Anderson Kelliher:

I write to inform you that Chapter 359, House File 2748, has been vetoed. Although return of the bill to the house of origin and a veto message are not required because the Legislature has adjourned *sine die*, I wanted to share my concerns about this bill with the Legislature.

This bill provides preference for one county-based purchasing health plan. It requires the Department of Human Services to assign individuals who reside in certain counties and who do not choose a specific managed health plan, to a specified county-based purchasing health plan. Under current law, individuals who do not select a specific managed health plan are sequentially assigned among all participating health plans. Statutorily mandated preferences in this fashion decreases competition between managed care plans and diminishes the Department of Human Services' ability to purchase health care on a statewide competitive basis.

Historically, approximately 30 percent of people enrolled in managed care plans through Minnesota Health Care Programs do not make a specific health plan choice. Thus, the provision in this bill that gives preference to a specific county-based purchasing health plan when an enrollee does not make a choice, guarantees the county-based plan approximately 30 percent additional marketshare in the absence of any competition. This is in addition to the market share it would receive from those enrollees who affirmatively choose the county-based health plan.

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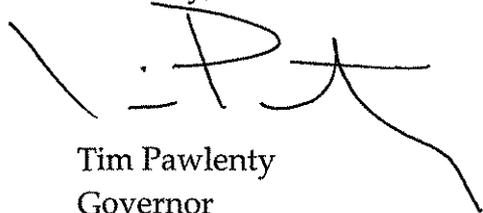
County-based purchasing plans have typically had higher administrative costs than many of the other health plans. Mandating enrollment in these plans is concerning because it diminishes the pressure competition provides to keep administrative costs down.

This bill would apply to one county based purchasing health plan called the SteadFast Health Plan. StedFast has not yet begun operations and will not begin enrollment until October 2008. Thus, this bill would direct enrollees into a new, as of yet, untested health plan.

The automatic preference provided by this bill also undermines the state's efforts toward meaningful health care reform. As part of our health care reform efforts, we are encouraging people to develop health care homes with their primary care providers. Enrollees who do not select their preferred provider at the time of their enrollment will be enrolled in a new health plan and may need to get services from a new provider. This is in conflict with a federal policy that requires the Department of Human Services to preserve enrollees' relationships with primary care providers and represents a step backward when compared with Minnesota's health care reform goals.

For these reasons, I have vetoed Chapter 359.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Pawlenty', with a long, sweeping tail extending to the right.

Tim Pawlenty
Governor

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cc: Senator James Metzen, President of the Senate
Senator Lawrence J. Pogemiller, Majority Leader
Senator David Senjem, Minority Leader
Senator Ann Lynch
Representative Marty Seifert, Minority Leader
Representative Tina Liebling
Mr. Patrick E. Flahaven, Secretary of the Senate
Mr. Al Mathiowetz, Chief Clerk of the House of Representatives
Mr. Mark Ritchie, Secretary of State