



DHS needs broad public input on health care cost study, which is behind schedule

Article by: Pat Doyle

December 7, 2014 - 9:09 AM

The announcement landed at the Capitol with a thud. The state official in charge of medical assistance programs for the poor disclosed that the federal government was investigating her department over its use of public funds.

That disclosure two years ago raised questions about whether the private health plan (HMO) industry that runs the assistance programs for the state reaped oversized profits at taxpayer expense. Critics deplored a lack of transparency in deals between the HMOs and the Minnesota Department of Human Services.

A law passed earlier this year was intended to open such deals to greater scrutiny. It says that when a government agency contracts with a private organization to carry out public functions, they're subject to the same public disclosure rules that would apply if the functions were performed by the agency.

The idea is simple: Government shouldn't be able to hide how it spends money by delegating the responsibility to a business or nonprofit. Road and bridge contracts with the Minnesota Department of Transportation have been subjected to such sunlight.

But the Minnesota HMO industry sought an exemption from that law — or at minimum an arrangement that would allow it to keep secret certain details related to the public programs it administers.

Ultimately, the Legislature delayed covering HMOs under the new disclosure law for a year, and commissioned a study on “the economic impact on the health care market” of any disclosure. The study was to be done by the Department of Human Services (DHS), “in consultation with interested stakeholders and other state agencies.”

With a report due to the Legislature on Dec. 21, the DHS has yet to seek a wide range of opinions on the impact of making HMO subcontracts and other data public. The agency has not held public hearings.

It might have gotten away with crafting a deal behind closed doors if transparency advocates hadn't pressed recently for more openness. The DHS last week e-mailed one advocacy group to say the report will be delayed beyond the Dec. 21 legislative deadline to seek public input.

Minnesotans have good reason to question the relationship between the DHS and the HMOs. The agency oversees several billion dollars in public money spent on medical assistance for the poor. About half of the money comes from federal taxes. Most of those funds then flow from the DHS to third-party HMOs for dispersal.

In 2012, DHS Commissioner Lucinda Jesson revealed that the federal government was investigating whether the state received excess federal funding for the medical assistance program. The probe came after a whistleblower questioned whether public money was wrongly spent to inflate the financial reserves of the HMOs administering the program. One HMO was apparently concerned enough about the questions that it returned \$30 million to the state. The DHS characterized the returned money as a donation to avoid giving some to the federal government, but later relented when



iStockphoto.com

iStockphoto.com,

faced with a congressional investigation.

While HMOs have been credited with controlling costs, they also have been accused of misspending on administrative junkets and other perks, as a government investigation found over a decade ago. More recently, an outside consulting report by the Segal Company indicated several problems with the administration of the state's public health care programs, including lax oversight on the part of the DHS and HMOs retaining excess amounts of public funds. While the DHS has said that it is working to rectify the problems, it has resisted the kind of transparency needed to prove it. And in recent legislative testimony, the HMOs continued to argue without proof that program transparency will harm the state by increasing health care costs.

The voice of the HMOs and other interest groups should not be the only ones heard by the DHS as it compiles its report on health care transparency. All Minnesotans have a huge stake in knowing how the HMO industry spends public money. Public hearings are the only vehicle that ensures that all voices will be heard when the Legislature decides how taxpayer money will be spent.

Pat Doyle is a board member of the Minnesota Coalition on Government Information and a former Star Tribune reporter.

© 2014 Star Tribune