



Lucinda Jesson, Minn. Commissioner of Human Services

Civic Caucus, 8301 Creekside Circle #920, Bloomington, MN 55437

April 14, 2011

Present : Verne Johnson (chair), Janis Clay, Diane Flynn, Paul Gilje, Sallie Kemper, Dwight Johnson, Ted Kolderie, Dan Loritz, Tim McDonald

Summary of meeting : *Lucinda Jesson, Commissioner of the Minnesota Department of Human Services, describes the challenges facing the agency due to potential budget cuts. Health care comprises the majority of DHS spending, and half of that spending is funded by federal sources. The state needs to rework its payment schemes so that people may assume more self-direction of their care without the state foregoing its responsibility to protect and provide services to those who need them.*

A. Welcome and introductions - Commissioner Jesson was asked by Governor Dayton to join his team while she was a professor at Hamline University School of Law, where she also served as Director of the Health Law Institute. Ms. Jesson has served government at both the state and local levels: as Deputy Attorney General for Health and Licensing in the Minnesota Attorney General's Office and as Chief Deputy Hennepin County Attorney, where she led day-to-day operations of the office. Ms. Jesson was previously a Partner and of Counsel to Oppenheimer Wolff and Donnelly, as well as the founder of her own law firm in St. Paul.

B. Comments and discussion - During the course of the Commissioner's discussion with the Civic Caucus the following points were raised:

Almost half the DHS budget is federal

"Human services accounts for 39 percent of the state budget. That's a figure that puts us front and center in the budget negotiations. Our budget is about \$22 billion for the biennium, and about half of it is federal."

And the majority of DHS spending is on health care

People often think that this department is just about welfare. What people don't realize is that the majority of the DHS budget, about 80 per cent, pays for health care. The other 20 percent is for the care of families and children, nutrition assistance (food stamps), and services for vulnerable adults.

In summary, while the biggest cost driver in the state budget is human services, the biggest cost driver within the agency is health care. And the majority of those dollars spent are on people who are elderly and those with disabilities.

While health care spending dwarfs the balance of the DHS budget, child protection and child support are critical functions. "One of the more surprising aspects of coming into the job was realizing that when a child needs to be removed from the home I become their guardian-or rather, the agency becomes their guardian. My husband was surprised when I told him over dinner that I am now responsible for almost a thousand extra children."

"But, by far, the biggest cost driver is our medical assistance program. Medicaid-our program supporting health care for low-income people-is our largest program and split half and half with the federal government. If the state appropriation for Medicaid is decreased by 1 percent, our Medicaid budget is actually decreased by 2 percent, because of the loss of the equivalent federal share."

The economic stimulus package increased this federal proportion even more while it was in effect. Now that stimulus funds are going away, to get the program back to where it was, there needs to be an increase in the state contribution.

Prevention is key to cost control

"A major challenge facing the state, the agency, and the country is how to contain cost inflation in health care by working to prevent those diseases that cause the majority of expenditures-particularly heart disease and diabetes."

The breadth of the agency is remarkable

Q: What has been your biggest surprise coming in? You've been around government for some time, but there are always surprises when taking on such a role.

A: The breadth of what the agency does is still amazing to me. A few weeks ago when flooding was at a crisis point, I learned that DHS helps coordinate the state's response at the State Emergency Operations Center. In the event of an incident at one of Minnesota's nuclear power plants, we run reception centers to assess and register evacuees before connecting them with the Red Cross. You don't always employ for peak needs such as this, so you need to be flexible and be prepared to react appropriately when and if extraordinary needs arise.

Pay for outcomes

Q: Is your department involved in discussions about changing the way the state pays for services, from paying per service rendered to paying for defined outcomes?

A: We need to rework payment methods in all areas of government. Our current managed care contracts are based on paying for processes (for tests, office visits, and procedures), without adequate attention to effectiveness. We have developed proposals to address this. For example, we just announced a change to competitive bidding by health plans involved in our managed care program.

We're also going down the track of requesting information from provider organizations to see how they could serve people in ways other than fee-for-service and managed care. We believe we can make a number of payment methodology changes without having to request waivers from the federal government.

Q: I'm wondering how your staff responds to the expectation of rethinking how services are delivered. Are they favorable? Are there pockets of resistance?

A: With 6,800 employees there will be disagreements, but I have learned that there are very talented, committed professionals at work in this agency. I have been very pleased to see how strongly motivated the staff has been in tackling the challenge of reinventing service delivery and creating more effective ways of meeting needs.

Manage away from services?

Q: Do projections for the state's demographics mean that the state will need to manage away from services—helping people to move off of services before they are cut off as a result of budget shrinkage?

A: "I do not believe there needs to be extensive cutting of services, but instead there needs to be a focus on getting people to assume more responsibility for themselves, with the help of services." The Commissioner pointed to mental health and disability services as two examples of areas where services should focus on helping people remain as independent as possible.

Another participant observed that Lutheran Social Service is arguing with their "My Life/My Choices" proposal that, rather than the state assuming all the risk for people with special needs, more direction needs to be put into the hands of the individual and their caretakers. "We want more consumer-directed care," Jesson agreed, "but we can't lose sight of the fact that we are still responsible for protecting vulnerable people. As commissioner, that is an important responsibility."

County service redesign

Q: There seems to be some interest out there in the counties to take some initiative to rearrange some of the ways things are done. In a way, the counties are asking for a waiver from having to request waivers in order to do things differently. Are you beginning to feel this?

A: The agency does much of its work through and with counties.

There are two ways that county reform has been discussed—allowing counties to be more autonomous in making decisions, and streamlining. There are 87 counties in Minnesota, and with so much state spending being administered through the counties we must be able to assure that these dollars are being spent well. Here, too, we have to balance between oversight and autonomy."

C. Closing -

Leadership comes from the executive and agencies

Q: If the state is going to redesign services, where will leadership come from?

A: The Governor and his Chief of Staff will no doubt lead the Administration's efforts to seek new, effective and efficient ways of meeting public needs. The agencies have many talented, experienced people that can help improve services as well.

The chair expressed thanks to the commissioner for visiting with the Caucus.