Lucinda Jesson, Commissioner, Minnesota Dept. of Human Services

A Civic Caucus Focus on Competitiveness Interview

February 1, 2013

Present

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Summary

Department of Human Services (DHS) Commissioner Lucinda Jesson believes that without reform, the demographic changes resulting in the aging of the state's population will make her agency's programs, as structured today, unsustainable in the long run. Reform and redesign offer the best path to sustainability, she says. The department's reform efforts started two years ago with the overhauling of its managed care contracts, the area where the biggest dollars are involved. Other redesign efforts include: (1) being the first state to contract with Medicaid providers to change the financial incentive from quantity (doing more tests and procedures) to quality (efficiently keeping a population healthy); (2) working to streamline the department's multiple public health care programs into one unified public program that changes incentives for enrollees and providers; (3) intervening earlier to help keep people in their homes; (4) giving people more control in choosing the services and providers they wish to have.

Introduction

Lucinda E. Jesson is commissioner of the Minnesota Department of Human Services (DHS). The department is the state's largest agency, serving well over one million people, with an annual budget of $11 billion and more than 6,000 employees throughout the state. DHS administers a broad range of services, including health care, economic assistance, mental health and substance abuse prevention and treatment, child welfare services, and services for the elderly and people with disabilities.

As commissioner, Jesson's priorities include making the state a smarter purchaser of health care; redesigning the care delivery systems through integration of primary care, behavioral health, social services and long-term care; keeping people fed and healthy; narrowing disparities; and reducing fraud, waste and abuse.

Prior to joining DHS in January of 2011, Jesson was an associate professor of law at the Hamline University School of Law in St. Paul. She also founded and served as director of the Health Law Institute there. Before that, Jesson served in local and state government, both as chief deputy Hennepin County attorney and as Minnesota deputy attorney general. In addition, Jesson has extensive private sector experience, both as a partner in the law firm of Oppenheimer Wolff & Donnelly LLP and in her own private practice.

Jesson has a J.D. degree from the University of Pennsylvania Law School in Philadelphia and a B.A. degree from the University of Arkansas in Fayetteville.

Discussion

Minnesota Department of Human Services (DHS) programs touch one million, or nearly one in five, Minnesotans each year. Commissioner Jesson noted that:

- Roughly 862,000 people, or nearly one in six Minnesotans, are in DHS-administered health care programs. Significantly over 100,000 more children and families turned to Medicaid during the recession. Jesson said that figure doesn't count single adults or the Medicaid expansion.
- About 526,000 people are on food support. Many more people have turned to food-support programs since the beginning of the recession.

During the recession, human service agencies have been serving many more people with fewer employees. In Minnesota since 2008, Jesson said, DHS has been serving 25 percent more people with 1,000 fewer state employees, about a 15 percent reduction in staff. She noted that figure doesn't count the reductions in staff in counties around the state.

Without change, human services programs become unsustainable in the long term. "Our programs are the safety net," she said. "We can't just walk away from them. But we have to do things differently." That is particularly true because of the aging of the state's population, which will hit especially hard starting in 2020. "We must make changes now to prepare for that," Jesson said. "The state has made a commitment to seniors and people with disabilities and we serve them better than almost any other state. If we're going to continue with that, we're going to have to make changes."

Jesson outlined three broad areas of reform DHS is both instituting and planning: health reform, the Reform 2020 initiative and human service areas outside of health care.

I. Health Reform: Being a smarter purchaser of health care, incentivizing quality and making programs easier to use.

The department's reform efforts started two years ago with the overhauling of its managed care contracts, the area where the biggest dollars were spent. The state pays for health care for most enrollees through managed care companies, Jesson said. The department put contracts out for bid and got significant savings. Those savings and a negotiated one percent cap on profits for the 2011 contracts inherited from the previous administration resulted in $1 billion in savings compared to the November 2010 forecast. "Without those savings we would have had to cut eligibility," she said. "We're continuing to look very closely at how we spend our dollars in managed care."

As part of the 2011 budget agreement, the agency capped how much the state would pay managed care companies in the future to cover the DHS population. It capped the increase per capita for FY2012-2013 at two percent and at three percent in FY2014-2015. "Caps of two and three percent for health care are significant," Jesson remarked. "We need to set the expectations differently. We have to set the caps and work to drive down the medical cost trend. We can't do it alone; we have to do it with the health plans."

She said the state negotiated contract rates for 2013 that came in far below the two percent growth caps, saving taxpayers about $60 million. "That's pretty significant," she said. "Most employers would be overjoyed to do that. We did it without cutting benefits or eligibility."

"We started out looking at our biggest cost drivers," Jesson continued. "But managed care contracts were just a beginning. We're trying to use our power as a purchaser not only to drive down costs, but to have better outcomes for people. You don't just do that in a department this size overnight, but it's critical to our reform efforts."

An interviewer commented, "It's a fight between you and the providers," he said. "You're not harnessing the most effective forces out there, which could eventually drive down costs at least 20 percent. If consumers can get quality measures and true cost information, you can use your whole population to choose better for less. They'll do it for you like they do in every other market where they know what's better for less."

"We needed to save money and needed to be a smarter purchaser," Jesson replied. "We'll never get to real reform just by paying less; we must redesign the health care system."

The department is also working in other ways to redesign public health care programs in the state. Jesson noted two ways in which this is happening:

1. Minnesota is the first state to use Medicaid Accountable Care Organizations (ACOs). These are direct contracts with health care providers to care for people. DHS has arranged for 100,000 of its Medicaid enrollees to be covered by these new contracts with providers. The contracts change the financial incentives of providers. "Instead of paying providers by test or procedure," she said, "we're actually contracting with providers to provide care for a population, to keep people healthy and to be more efficient." The providers must meet quality targets. If DHS and the providers agree upon what the medical cost trend for that population is and the providers come in under that amount, the state will share the savings with them. She said DHS will add provider groups each year to the new contracting system.

2. In the long term, Jesson said, DHS wants to move from multiple public health care programs to one streamlined public program that changes incentives for enrollees and providers. "What we need is the ability to build incentives in our Medicaid system to encourage our enrollees to make healthier decisions.

A streamlined program with sliding-scale premiums for low-income families would be simpler, she said. It would drive down duplicative administrative costs. It would replace the current patchwork of programs where people churn between Medical Assistance and MinnesotaCare and where family members end up in different plans. It would change arbitrary coverage limits.

A streamlined public plan should also permit more innovation, Jesson continued. Freedom from some federal mandates would allow the state to give providers, plans and enrollees more powerful incentives to promote health and reduce health costs and health disparities.

"Let's move to a system that's streamlined," she remarked, "where people aren't churning between our public programs and one that's easier for providers. They wouldn't have to have different contracts with MinnesotaCare and Medicaid; that could drive down their administrative costs. And we'll save administrative costs because now we're administering two or three programs. That's ludicrous. Let's just administer one. Let's redesign that program so we change incentives for providers and enrollees."

New money in the future must be tied to better outcomes. "I think what we have to do is to take that approach of driving a harder bargain," she said, "not just in terms of dollars, but in what we're paying for and being much more focused on paying for outcomes and quality. We're really trying to make that change across the department. We're not just talking about health care. You'll see a shift in that direction in the governor's budget. If you want to get new money in the future, you need to improve outcomes for the people we all serve."

- There's an increase in the governor's budget in payments to child-care providers. The department tied part of that increase to the quality of care provided, as measured by the Parent Aware Ratings system.

- The governor's budget also proposes an increase to nursing homes, part of which is tied to quality improvement.

- The budget proposes funding to establish a set of measures that will form the basis of a quality add-on payment for home and community care providers. This way future payments will be tied more closely to quality, not just cost-of-living adjustments. Providing those services to seniors and people with disabilities is one of the fastest-growing parts of the DHS budget.

II. Reform 2020: comprehensive redesign of the state's home and community-based services system.

Reform 2020 is a bipartisan initiative to reform Medical Assistance (MA), Minnesota's Medicaid program, to better meet the challenges of rising health care costs and a growing senior population, while still providing Minnesotans the services they need to lead fulfilling lives. Jesson explained that Reform 2020 seeks to achieve these goals by modifying existing services, providing new services to targeted groups, and asking the federal government for a waiver to try new

ways to deliver and pay for health care services that ensure people receive the right services, at the right time, in the right way. Reform 2020 efforts will result in more effective and efficient service delivery and will modify the service delivery system to focus on person-centered outcomes.

She pointed out that 16 percent of the people enrolled in DHS programs have disabilities, but they account for 44 percent of the cost of the programs. Seniors, too, account for a larger percentage of the cost than they represent as a proportion of total enrollees.

The program is being rolled out in the 2013 legislative system. "Without redesign, it will be unsustainable 10 years from now when we're really hit by the age wave," Jesson said. "We've got to start now. You don't just change a system overnight, because too many people depend on it. We don't do something by taking things away from people."

The redesign is aimed at providing more services early, sometimes even before people are enrolled in Medicaid or other DHS programs. "We want to reach out to help keep them in their homes by intervening earlier," Jesson explained. "What we're trying to do is reach people before they qualify for our really deep end of expensive services," she continued. "Let's try to intervene earlier and provide more options through our regular programs, outside of Medicaid, to keep people in their homes and communities."

Key principles of Reform 2020 are providing a broader array of services earlier and making the services more consumer-driven. The new Community First Supports and Services program is aimed at achieving these goals. The program hopes to reduce the number of people on federal waiver programs. "We want this to be consumer driven," Jesson commented. "We don't want it to be one size fits all. "

For example, on Medicaid, people can get personal care assistants (PCAs) to help keep them in their homes. "That's mostly where people want to stay and it saves the state money," she said. "But maybe what you need to stay in your home is a home modification. Regular Medicaid won't pay for that now. It should. If that's going to help people stay in their homes, we ought to be paying for it."

People may not need a PCA to come into the home to help them do things, but someone to come into home to teach them new skills or to relearn old skills, so they can do things for themselves. Jesson said this is especially true for kids on DHS programs. "Sometimes they don't need help doing, they need help in learning."

Assessing people individually and tying a dollar value to the community services they need will allow them to direct the money themselves. If a person wants to stay in the home, he or she might need some PCA services, but may also need to have the home modified. Jesson commented that people would have much more ability to direct the dollars, make choices for themselves and choose their own service providers. "This will put much more power in the hands of our enrollees."

"We need to reach out to more people before they qualify for Medicaid," she continued. "We need a consumer-driven system with early interventions, a lot more help during transitions, help keeping people connected to employment and a lot more information. It's a broad array of things. It really will fundamentally redesign our system. It doesn't happen overnight. It'll take three or four years to get it done. And we need flexibility from the federal government to do it."

DHS is negotiating with the federal government and has a reform package before the legislature this session. Jesson said the proposal is budget neutral in the short term. "The whole idea is not budget savings in this biennium. It's redesigning a system so we have something that's sustainable in five years."

III. Other DHS Initiatives.

DHS has the flexibility to allow counties to do more pilot programs. An interviewer asked why the MAGIC Act, which would allow counties to try different ways of delivering services in pilot programs, failed to pass during the 2012 legislative session. "I'm not sure it's dead," Jesson responded. "A lot of what the MAGIC Act proposed in human services, we already have the ability to do. We have the flexibility. But I'm a proponent of the MAGIC Act. We need to do more pilots; we need to try more things."

(This **link** to a Nov. 26, 2012, Civic Caucus interview with legislators Paul Marquart and Carol McFarlane provides more background on the MAGIC Act.)

The governor's budget set several million dollars aside to move toward budgeting for outcomes with counties. "If we are clear with counties on outcomes we're looking for, that's what they ought to be held accountable for," Jesson said. "If we agree on outcomes, then we should let go of a lot of the process stuff. It frustrates counties and us that we are holding counties accountable by process measures."

DHS has prioritized children's and mental health issues through shifts in spending in the governor's budget. The budget proposes a doubling of school-based mental health grants, which Jesson called a very effective way of doing early intervention and reaching out to kids in the schools.

Also, the department wants to expand crisis mobile-health teams, which are in place in 59 counties now, to the whole state. The budget also includes a lot more money to help people move out of Anoka State Hospital and the state Security Hospital in St. Peter, if they don't need to be there any more. "We need to really beef up our community mental health services to do that," she said.

"We were putting this budget together before the Newtown shooting tragedy," Jesson pointed out. "We recognized that we needed to strengthen our mental health system here in Minnesota. We have a really good one. But even with the budget flat for the whole department, we've reprioritized to make investments in mental health."

The state is looking for options in treating sex offenders. In response to a question about the sex offender treatment programs, Jesson said a task force she appointed now has some preliminary recommendations. "One thing the task force is saying, and we agree with them, is that there should be more options when judges are making commitment decisions. Today, when a judge is making a decision whether or not to civilly commit someone as a sex offender, either that person is not committed at all or committed to this highly secure and expensive facility and treatment program."

DHS has asked for information from service providers, including its own state-operated service providers, about what they have or could build that would provide options to the Minnesota Sex Offender Treatment Program. The providers are to provide information on the costs, the security and treatment by the end of February.

"What would the less expensive alternatives look like?" Jesson asked. "We think the responses will give the Legislature concrete options as they face decisions about the current sex offender program."

Intergenerational poverty and assuring that traditional health care services reach seriously mentally ill people are major challenges for Minnesota. Responding to a question about cost drivers in the budget, Jesson pointed out two troubling numbers:

1. Of the teenage mothers on the Minnesota Family Investment Program (MFIP), the state's welfare reform program, 75 percent of their mothers were on assistance, as well. "That's the core of our intergenerational poverty problem in this state and we have to address that," she said.

2. People with serious and persistent mental illness live 25 years less on average than other people. "They aren't dying earlier because of suicide or something directly related to their mental illness," she said. "They're dying of diabetes and congestive heart failure and they're dying much earlier than other populations. We need to make the connection between mental health services and the traditional medical system, so we're getting people the health care they need."

Conclusion

Unsustainability offers opportunity for reform and redesign. Jesson said she is passionate about the reform of human services. "The status quo isn't sustainable, given the demographics. That's exciting, because we can design things that work better for people." She reiterated that the Reform 2020 initiative is not about taking things away, it's about reaching people earlier, serving them better and giving them more options. "We'll end up with a better system and it will be better for taxpayers. Reform 2020 has bipartisan support. It's not sexy, but it's really the hard stuff of redesign and reform that we have to be doing."