NATIONAL GOVERNORS ASSOCIATION

Summer Meeting

July 24, 2015

The Greenbrier
Colonial Hall
300 W Main Street
White Sulphur Springs, WV

Opening Session

Governor John Hickenlooper, Colorado, Chair
Governor Gary Herbert, Utah, Vice Chair
Guest: Peter Hutchinson, Managing Director,
Accenture Public Services Strategy
GOVERNOR [John] HICKENLOOPER: Governors,
distinguished guests, I call to order the 107th
Summer Meeting of the National Governors Association.
As you guys all know, we have a full agenda over the
next two and a half days; following this session we
will have the Economic Development and Commerce
Committee and the Natural Resources Committee discuss
strategies for tourism as well as economic
development.
Saturday's business agenda begins with a
joint session of the Health and Human Services
Committee and the Homeland Security and Public Safety
Committee to talk about, among other issues, the
nation's opioid crisis.
Saturday afternoon, our Education
Workforce Committee will examine career pathways
where we will be joined by Secretary [Thomas] Perez, and we
will close with a session on health care
transformation and we will be joined by Secretary
[Sylvia Mathews] Burwell. I think all of us look forward
to all of these discussions.

We are also honored today to be joined by several distinguished guests from the international community, and I'm hoping that as I read you we can recognize you. We have Governor Shinji Hirai and a delegation from Japan.

(Standing.)

(Applause.)

We also have a delegation from Canada. I’m not sure where they are.

There they are. (Standing, waving.)

(Applause.)

GOVERNOR HICKENLOOPER: Welcome. Thank you.

As well as a delegation from Mexico.

(Standing.)

(Applause.)

GOVERNOR HICKENLOOPER: Thank you all for being here. As a reminder, we will have an opportunity to meet with our Canadian and Mexican colleagues this fall at the North American Summit in Colorado Springs on October 30th and 31st.

I would also like to recognize our guests
from the White House, the Office of Intergovernmental
Affairs, Jerry Abramson and Adrian Saenz.

(Applause.)

GOVERNOR HICKENLOOPER: Where are you guys?

Thank you for being here. Thanks, Jerry.

Now, may I have a motion for the adoption
of the rules of procedure for this meeting?

(Moved and seconded.)

GOVERNOR HICKENLOOPER: All in favor say

‘aye’.

(Chorus of ayes.)

GOVERNOR HICKENLOOPER: All opposed say ‘nay’.

(No response.)

GOVERNOR HICKENLOOPER: Motion is approved.

Governors, as you know under our policy
process, we adopted policies for two years at the
Winter Meeting. If anyone has questions regarding
the policies, please make sure you find David Quam, with
NGA staff.

Now I would like to announce the
appointment of the following governors to the
nominating committee to the 2015-2016 NGA Executive

Please give them a round of appreciation for their service.

(Applause.)

GOVERNOR HICKENLOOPER: I would now like to ask our great host, Governor Earl Ray Tomblin and his wife Joanne--I would like to thank them--Governor Tomblin and his wife Joanne for hosting the nation's governors here in West Virginia. Earl Ray, would you like to come up and use the podium to give a formal welcome to all of us?

Governor Earl Ray Tomblin.

(Applause.)

GOVERNOR TOMBLIN: Thank you very much, Mr. Chairman. It's indeed my pleasure to welcome all of you to West Virginia. I know several of you have heard this before, but we are so honored to have you here in West Virginia. It's been a total of sixty-five years since West Virginia has hosted NGA and I think it's about time, and we hope that you
are finding your accommodations here at the Greenbrier up to standards. We're doing our best to make you as comfortable as possible.

We have a lot of great things planned today and tomorrow, and we'd love to have you stay around for another week or two if you'd like to. We have plenty to do here at the Greenbrier, but once again just thank you for coming to West Virginia. Do a little exploring while you are here and enjoy yourself, and we are very pleased that you're here so thank you very much.

(Applause.)

GOVERNOR HICKENLOOPER: Thank you very much, Governor Tomblin. Now we come to the short but bittersweet portion of our program recognizing and saying farewell to our colleagues who will depart after the fall elections. This year we are bidding farewell to two of our colleagues, one of whom is with us this weekend at the Greenbrier.

Unfortunately, Louisiana Governor Bobby Jindal could not be with us for his final NGA Summer Meeting. Certainly we wish him well for his final
months in office and all that lies ahead for him.

Certainly, on a more personal note, I think all of us are with him in our thoughts and prayers over the shooting that took place in Lafayette. As someone who has had a theater shooting, I don't know if it was a copycat or not, but there is no harder thing that he could be going through right now; so we will all hold him in our thoughts and prayers.

Now, let's take a moment to honor Kentucky Governor Steve Beshear. Steve has served the Commonwealth of Kentucky as governor since December of 2007. During this time in office, Governor Beshear has focused on initiatives to help Kentucky families particularly in the areas of health and healthcare, education and economic development. In 2012, Governor Beshear signed landmark legislation to curb prescription drug abuse, and for the first time in a decade the number of Kentucky deaths blamed on prescription overdoses has declined.

His education initiatives span from early childhood and kindergarten to college and career readiness. Governor Beshear brought Kentucky
successfully through one of the worst recessions in history. Since July 2009 nearly $9 billion has been invested in new economic development, and more than 52,000 jobs have been created or retained in the Commonwealth.

In 2013, Kentucky shattered its all-time export record, reaching more than $25 billion in sales of Kentucky-made products and services. Governor Beshear has been a longtime supporter or leader within NGA. He currently serves as chair of NGA's Health and Human Services Committee and is a member of the NGA Center for Best Practices Board.

During his tenure, Governor Beshear has served as Chair of the Education and Workforce Committee, Vice Chair of the Economic Development and Commerce Committee and a member of the Natural Resources Committee.

Please join me in thanking Governor Beshear for his exemplary dedication and leadership. NGA offers the very best of wishes to you and your entire family.
(Applause.)

GOVERNOR HICKENLOOPER: You know, at the
Winter Meeting I sat next to President [Barack] Obama and on
the other side was Governor Beshear and when you see
a real pro, when you watch someone talking about
their state and what they've done and the challenges
they've faced and how they have adjusted and overcome
them, I'm not sure I can remember being as impressed
as I was watching you, I wouldn't say manipulate the
President of the United States, but I would say that
you had a vigorous discussion; and certainly I think
you were very persuasive in your points about the
great things that have happened in Kentucky over the
last eight years.

Now, one of the privileges of being the
Chair of NGA is the ability to choose a Chair's
Initiative. You all know that I chose to focus on
Delivering Results.” This initiative has been about
improving the effectiveness of government and getting
results in a way that better responds to the various
needs of the people of our states.
Today's state government touches so many aspects of people's lives, its scale and scope is wider and certainly more complex than it's ever been in the past, so it's more than ever important to ensure that the state government effectively spends the tax dollars it collects and judiciously uses its power to regulate to deliver on its promises.

As the CEOs of our states, we preside over enterprises that deliver an immense array of services to our residents. Playing that role requires us to provide high level oversight of our states' programs and policies of our agencies. To be effective, we have to focus on continuous improvement and always getting to the best solutions possible for each challenge or each service.

*Delivering Results* is focused on improving the efficiency and the effectiveness of some of the core functions of state government. Throughout the initiative we are focused on how governors can recruit and hire the best and the brightest leaders to work in state government. I think that came clear during this last year--that includes bringing
people in from the private sector, from foundations and universities, from local government; but creating a team of the best and the brightest.

We also focused on how to implement rules and create rules and regulations that protect the public good without creating red tape or unnecessary burdens.

And then thirdly we focused on how to adopt innovative performance improvement practices that use data and evidence to drive outcomes to make sure that we really do deliver results. Now these are the three main elements of the Delivering Results initiative.

I can share just a few examples of how Colorado is striving to make government more efficient and more effective. As a business, government can only be as strong as the people who work for it, and it is critical that public service attract the best and the brightest as I said. Governors have to have a clear vision of the team they want to carry out their agendas.

In Colorado we look for talent across
public and private sectors, as I said, to try and build a team of leaders who could work together to deliver on the principles of good government and good government sometimes becomes a cliché but we wanted to demonstrate that it had a reality in action. Good government also requires engaging the public with an eye towards continuous improvement. No business would settle for less, and our citizens should settle for no less.

Elected officials and government leaders are increasingly engaging their constituents to determine what effective government looks like, constituents are helping government find and improve the rules and regulations that are in place but not working; or in many places are making it difficult for the public to work with the state or for our businesses to expand and hire new workers.

In Colorado we implemented an initiative called Pits and Peeves, which focuses and continues to focus on making it easier to work with the state. Immediately after taking office in 2011, my staff and I traveled around the state, asked communities and
business leaders in almost every county:

What can we do to help expand business, to help our business development be created more rapidly? Part of that was again and again we heard: Get rid of unnecessary rules. Begin to cut the red tape.

In response, I signed an executive order that required all state agencies to conduct periodic reviews of all their rules so that they would determine the true need, the appropriateness, and the effectiveness of those rules. Thus far we have now reviewed over 16,000 state regulations and rules and either improved or eliminated more than half. Again, this wasn't rocket science. I know many of you do this as a matter of process. It's just common sense.

Finally, good government requires holding ourselves accountable and applying what we learn so that we can improve how government does provide services and now government does its business. Today we enjoy the advantage of masses of data and technologies that can allow us and help us to do just that. Increasingly, state governments are focused on innovation-led improvement. Innovation, when you
step back and look at it, it just means doing things
in a new way. That's the--I think--the simplest
definition of innovation.

In Colorado, we began to focus on trying
to save hard dollars and considering things that were
important to the productivity or our state, and
important to our constituents' faith in government
such as shorter wait times at agencies, whether
you're getting a driver's license or license plate;
making sure that we can reduce time spent on state
processes when people are filling out forms either
for their business or for their families; and making
sure that these improvements have metrics, that we
have measurable outcomes of our improvements.

States around the country are all working
to improve government. To identify how our fellow
governors in their other states are increasing the
efficiency and effectiveness of state government, we
engaged in a variety of activities over the past year
to bring in those best practices and those good ideas
from all of your states. We held three roundtables
last fall with state and national experts in how
state government functions, the private sector, and academia to learn about best practices underway across the country.

We brought in Danny Myer, who most of you will remember was CEO of Union Square Hospitality to our Winter Meeting, and he talked about how businesses are delivering results and how in his vision, customer service really works, which I think a lot of people, at least four or five people came up to me afterwards and said how much they appreciated his examples.

We hosted a summit this past April to highlight leading examples of how states are delivering results. Senior officials from twenty-eight states were joined by Governor [Gary] Herbert, Governor Fallin and myself.

We learned that many governors are adopting innovative practices used by businesses, universities, and others to deliver better results to people. For example, governors are rethinking recruitment and onboarding processes for agency leaders, creating processes to review and streamline
regulations using performance data and evidence, from
research to inform budgets, implementing lean process
improvement efforts statewide as well as in agencies,
and using geographic data to understand problems and
prioritize investments.

We also learned that many governors are
taking a comprehensive approach to delivering better
results in their states. They are putting the pieces
together and building results-oriented management
systems throughout their states. Governors have
certainly many different options for how they can
deliver better results to their residents but
regardless of whether a governor focuses on one
strategy or implements a comprehensive statewide
approach, we identified three core principles that
form the foundation of creating a results-oriented
state government. These are principles that many
governors already focus on but we think every
governor should be aware of, and give high priority
regardless of whichever strategy they are choosing.

First is to set a vision and focus on
outcomes. I can't overemphasize that. Sometimes we
take it for granted that our vision from our campaign
is going to be the state's vision. Not always the
case. The governor's engagement is essential in
creating a system to deliver results and deliver on
that vision. Governors lead this effort by
establishing vision, establishing goals, establishing
outcomes for the state and bringing together all the
relevant stakeholders who play a role in achieving
those goals. If you don't have buy-in towards that
vision, it will never be successful.

Second, foster a culture of continuous
improvement. Culture shift is one of the most
important elements of creating a results-oriented
organization but it can be an immense challenge.
Governors can create a culture that values continuous
improvement by setting a tone of constructive
problem-solving rather than punishment for failure.
Ideally, learning how to reward staff for the right
behavior can significantly affect culture.

Third, communicate the results. To
highlight successful accomplishments, governors can
celebrate successes with staff and make sure that the
results are shared with the public. When governors talk about the results they have achieved, they should consider making those results personal and human, making sure that you're telling stories, sharing narratives and using visuals.

I'm pleased to share the Delivering Results toolkit with each of you today. The toolkit should be in front of each of you. Here, I'll hold this up. It includes a number of documents and resources including a ... I guess I don't, well maybe I'll see if Governor Herbert will be my Vanna White.

(Laughter.)

A pocket card that provides an at-a-glance overview of the main takeaways from the initiative. An issue brief that outlines the core principles that underlie governors’ efforts to deliver results. The three additional issue briefs that each address one of the three main elements of Delivering Results; those briefs provide best practices of how different states are improving government.

Lastly, a flash drive filled with tools and resources from the private and public sectors that can aid you in
your efforts to deliver better results to the
residents of your state. I could not have asked for
anything more.

GOVERNOR HERBERT: And you're not going to get
any more.

(Laughter.)

GOVERNOR HICKENLOOPER: More than grateful.

Before I conclude, I would be remiss if I did not
thank the companies and foundations that supported
this effort. Specifically I want to thank the Laura
and John Arnold Foundation in Texas. I want to thank
Accenture, and I want to thank ESRI. The three of
them did a great job in supporting us both
financially and with a lot of talent on loan as well.

So please give them a hand.

(Applause)

My priority for this initiative has been
to provide all governors with best practices and
other tangible resources to help state government
work in the most efficient and effective way
possible. We hope that the initiative, especially
the Delivering Results toolkit, will provide you with
the tools and information that will help you achieve that goal, and we certainly appreciate the support and the advice and involvement of many of you here today.

When we first worked on this, and when we looked back at what Governor Fallin had done, I think her chair's initiative was a great success and very useful and Governor Markell, looking at what a chair's initiative does, it's great to have it done, but it's also important that it's in a way that is usable going forward.

Governor Markell, where did Governor Markell go? He snuck away. Well, I can tell you his initiative was just, I'm just kidding.

His initiative and Governor Fallin's and certainly, I think almost all but those two especially were the ones where the takeaways we're still using, and last year with Governor Markell we looked at how you take work with companies to make sure you have more jobs for those individuals who are differently able, who have some forms of disabilities.
Certainly with the workforce development work that Governor Fallin did, you come back to that a year later and it just expands in its value. So hopefully *Delivering Results* will be something equally useful to all of you in the years ahead.

*Delivering Results*

Now I get the privilege of introducing our keynote speaker for today's session, Peter Hutchinson. Peter leads management and consulting strategy for Accenture for the state, provincial and local government practice of Accenture throughout North America. Over the course of his career, Peter served as the commissioner of the Minnesota Department of Finance, Superintendent of Schools in Minneapolis, Deputy Mayor of Minneapolis, Corporate Vice-President of the Dayton-Hudson Corporation. You may have heard of a company called Target, that's Dayton-Hudson--and most recently is President of the Bush Foundation, one of Minnesota's largest independent foundations.

Peter has been involved throughout the entire *Delivering Results* initiative and has been
instrumental in the final package. He was one of the first people I talked to when we were first putting together the framework of what this initiative might look like, and he was thoroughly engaged throughout the initiative. He attended all three of our experts roundtables last fall along with the summit that we hosted in Denver this past April.

He is as passionate about good governance as anybody I know. He cares deeply about leadership. He cares about regulatory reform and process improvement, and he certainly makes a priority of helping states use data and evidence to inform their decisions. His ideas and insights, they are in the DNA throughout the Delivering Results toolkit in front of you and I don't thing I can express any more strongly how much we owe him.

Throughout the past year he has shared so many thoughtful examples of how the public sector can improve the way we do business, the way that we provide service to our residences and our businesses. I think he has a real gift for synthesizing some of the most complex issues and ideas into clear and
succinct ideas that really do deliver on common
sense.

In addition to having a great clarity of
thought, he is also a pretty darn good storyteller
and he is here today to tell us some of the stories
and share some of the lessons he has learned in his
time through the public and private sectors about how
we governors can deliver better results by harnessing
the ideas and innovations from state agencies, the
private sector and the public.

Peter?

(Applause.)

MR. HUTCHINSON: Good afternoon.

AUDIENCE: Good afternoon.

MR. HUTCHINSON: Let's remember this
introduction. I used to be a school superintendent.

Good afternoon.

AUDIENCE: Good afternoon. (Louder.)

MR. HUTCHINSON: (Laughs.) I am so excited
about being here. I think of all the things that the
NGA could have spent the last year doing, I think
Governor Hickenlooper picked the right one. Not
because it's droll and pedestrian, or as somebody
said the other day, it's not sexy. To me it's just
the opposite.

I've been very lucky in my career. I've
actually had interesting jobs, but more I've been
able to travel your states, I've been able to talk to
the people in your organizations and I always ask
them the same question: "What is it about what you've
done in your career that makes you the most proud?"
Everybody has an answer to this question. Over and
over, this one example has come up many times and it
happened at our state but it's happened I'm sure in
every other state. I know it's happened in at least
two other states.

You may recall that tragically, many years
ago, a bridge that spanned the Mississippi River
collapsed suddenly, hundreds of feet into running
water. Thankfully not more people were injured or
killed as a consequence. But if you went and asked
our highway department today about their proudest
achievement, it was that that bridge was reopened
thirteen months later. Thirteen months, not thirteen
years later. Thirteen months is an extraordinary achievement.

Well, I think Delivering Results is about that. It is about that result. It is about making the extraordinary the ordinary. It is about making those sorts of things the way we do our work in the public sector, and we can. If we take our pocket card out and pay attention to our principles we can get, all of us can get to where those extraordinary events become common, become the way people think of our government. You all know that is one of our central challenges.

Confidence of our people in the work that we do is lagging. By making the extraordinary ordinary we win the competition for public support.

But it's not easy. I recall a story of an acquaintance of mine who was running for mayor and he's charging around and he's visiting you know, all the neighborhoods, shaking hands, and he comes into this one neighborhood and all they want is to get their park fixed. And they are on him, I mean night and day: 'You've got to fix this park. If you get
elected, you've got to promise to fix this park.’

He gets elected, goes to city council. He gets $10 million. He goes out and I'm telling you, he fixes this park. I mean the thing is, you know, it's galactically improved. He did it all. He did everything a human being could think of, and he shows up for the grand opening. You know, you've done this amazing thing for the people of your city, it's like you want to get a pat on the back, right?

He walks in and they're just all over him again. They're just, 'Why did you do this, why'd you do that?' He says 'Well, what are you talking about? You told me to fix the park.' And they said 'Well, actually all we wanted was toilet paper in the bathrooms.'

You know, people judge our results as the difference between what they expect and what we deliver. That's what this lesson is about. He missed the point. He may have hit the target, but he missed the point. The point was, we just want this. One of the challenges I think for us in government is
to make sure we know what results we're headed toward. What results people really want, and what are the expectations that we are trying to achieve.

You know if you don't know what to expect you can't possibly exceed their expectations. If we don't exceed our people's expectations, we don't win that competition for public support. I had another example with this too. I was, as the governor said, I was a school superintendent, and what he didn't say is that I wasn't trained and I was probably not actually eligible to be a school superintendent; but nevertheless I had the job.

I showed up for work the first day and I said to my chief of staff, you know, I don't know anything about this job but if you bring me the mission statement that would help me. I could just do what the mission statement says. So he runs off to find it and he comes back two weeks later.

Interesting point, right? And the mission statement of our school district was seven hundred and fifty words long, and then there were buses and books and athletics and food and everything under the
sun but nowhere, anywhere in those seven hundred and
fifty words were the words 'student achievement.'

Now you'll be shocked to hear that our
schools weren't doing that great. Well, you know, if
you're doing everything but not the main thing you
can't get it done. We stepped back and said 'you
know, we're only here for one reason, and that's to
ensure that all students learn.' That became the
mission. My job was to make sure that every human
being that worked in our school district and every
parent and every kid understood that's the only
reason we're here.

I had bus drivers focused on ensuring that
all kids learn. The lunch ladies were all focused on
ensuring that all kids learn. The custodians,
everybody focused on one thing and guess what? Kids
learned. Our scores actually went up. Our students
improved. Actually people started reenrolling in our
schools. We won the competition for public support.

I'll never forget when one of our union
leaders, in observing this, he gave me this thing to
remember. He says, Peter, you got to remember, the
main thing is to keep the main thing the main thing.'
That is critical if we're going to deliver results.
Because the truth is as governors you can do
anything. The problem is you can't do everything.
You've got to pick. You've got to decide. You've
got to know where that focus is going to be, because
when you do focus on what you care about you can get
extraordinary results. You can hit targets in
Targets. You can get beyond what people imagined is
possible and actually achieve the extraordinary. You
can't deliver results if you don't focus on them.

So one other quick story from my time in
the Minneapolis schools. This really has to do with
culture. When I went out to talk with teachers, I
made it my business to talk with every teacher in our
school district. Of the 6,000 teachers I
talked to, 5,997 all told me how much they hated the
central store's operation. Well, that gets your
attention, only three people that liked it and 5,997 hated it.

So, I decided I'd better find out what's
going wrong here and you know, as the chief executive
of this organization it's my job to fix this problem.
So I go to the warehouse where the central stores are
and I get everybody together and I say to them "How
do you like working here?" 'Oh, I hate it.'
"Really? What do you hate about working here?"
'Well, you know, those people in those schools, they
just treat us so badly.' And I said, "Well, why is
that?" 'Well, you know, it takes us six weeks to
get them the stuff they want.'
So, that seems like a long time. 'But
we're doing the best we can with what we got.' I
said "I had one teacher who said to me that she
filled out a little slip and sent it in." She was
requesting a map of the world because she wanted to
teach a world geography lesson, and six weeks later
she gets a map, but it's so old that the names of the
countries are wrong.
I said 'What's that about?' They said
'Well, you know, it's just them, they just whine.
They're just whiners. She could have put the right
names on that map.' Well, of course this is
not the right answer, and I'm sitting there in my office trying to sort this out and I'm thinking "Okay, now you're the chief executive. Your job is to solve problems but the problem here is you know nothing about distribution. You know nothing about inventory control systems. You're the least informed person that should be working on this problem." I'm telling you, I am struggling away at this thing and then my friend comes to me and he says 'what are you doing? You're the least competent person to work on this. You need to get the people who have the problem to own the problem so that they can improve the solution.'

I said "Well, how do you do that?" He says "you've got to change the rules of the game." See, the game they're playing right now, this is the game of blame, "I didn't get what I wanted, I don't like working here, and you treat me bad and if you treated me better and"--it's never going to turn out. He says "You've got to change the rules. You've got to change the structure. You've got to change the incentive."
So I held my breath and I went back to the
warehouse and I said "Okay, here's what we're going
to do. A year from now, I'm going to take all the
money that we appropriate for the warehouse, I'm
going to give it to the schools. I'm going to tell
the schools they can buy their school supplies
anywhere they want. They can go to Target, they can
go to Home Depot. They can go to Staples. I don't
care where they go. But in that year, you have a
chance to figure out how to win their business, but
you've got to win it because there is no general fund
in appropriation after a year from now."

I said "I'll be back in a year and a half
to find out how it turned out." So I go back to my
office and hold my breath and wish, and I have no
idea what's going on for this year, and the next
school year comes along and we get six months into
it. I go out to the schools again and I ask "How's
the warehouse operation going?"

"Oh my gosh, I don't
know what happened but it's really fabulous."

I said, "What do you mean?"

Well, we're getting our
stuff overnight, twenty-four hour overnight delivery.
We're getting what we asked for the first time. By the way, they smile when they deliver this stuff.”

I'm thinking "Wow, something wild must have happened in that warehouse." So I go back to the warehouse and I walk in and it's just chaos. It's just a flurry of activity, and I get everybody settled down and I said "So what happened?"

They said “Well, here's the thing. Once we figured out that it was up to us, well we took control. We looked around the warehouse, and we realized we had $3 million of inventory we didn't need. We sold it. We took the 3 million bucks, we invested it in an inventory control system, we reorganized the warehouse. We put the stuff that people want in the front, the stuff people don't want very often we put in the back. We changed our order system, we changed our delivery system.”

I said "Well, how do you like working here?"

“Oh my gosh, we've never worked harder in our lives and we love it.”

This, to me, is the essence of delivering results. It's putting people in a position to
experience the consequences of their own decisions
and knowing that if we give them that chance, they'll
find ways to overcome obstacles. They'll find ways
to work together. They never thought they'd work
together before. By the way, for those of you who
were wondering, these are union employees. Two
different unions as a matter of fact. They figured
it out. They didn't need my help or permission.
They just figured out how to get it done. So when
performance really matters, performance gets better.
I think it's at the heart of everything we have to
do.

Now, the governor talked about
communication. This is another thing that is a huge
issue I think in the work that we do. Quite a few
years ago we installed a 311 system in the city in
which I live, and I had no idea what that was to tell
you the truth. I knew it was on the phone and I knew
I could call it, but why would I? It just never
appeared to me that much.

Except for one day I pulled up to a
parking meter and the parking meter didn't work and I
didn't have time to sit around and I couldn't find another parking place, and so I'm fumbling around and I realize I could call 311. So I called them up and this really nice person answers the phone. She says 'well, give me the number on the meter.' So I give her the, there's a little code on the meter and she says 'Great, thank you for reporting that. You can stay there, don't worry about it, you've reported it. You can't get a ticket.' I said "Oh, that's great. 311. I like 311."

I do my meeting, I go home. Everything's fine. The next morning, at 6:47 a.m., my cell phone rings. "Hi, Mr. Hutchinson?"

"Yeah."

"Hi, this is Mike. You reported that meter broken in Dinkytown yesterday? Well, I just wanted you to know I fixed it."

That's a result delivered. That's a result delivered, right? It's not enough to do it. You've got to deliver it. People have to experience. A result that no one experienced never happened. We have opportunities in our state governments to change fundamentally how we connect with the people we
Just think about this example. This just happened to me. I filed my taxes this year as I know you all did. I filed them electronically. I never thought anything of it. Three weeks later, I was due refunds by the way, that felt good. Three weeks later, I get my electronic refund. It gets deposited in my account from the state. Three weeks, I don't know. Is that good or bad? It seemed all right.

Six weeks later, I get my federal refund. Well, now the three weeks looks pretty good.

Right, remember what I said. People judge your results based on their expectations. Well, my expectation had become three weeks because that's what I just experienced. Now the feds looked terrible. I actually think six weeks for the feds is probably pretty good. But here's the opportunities we missed. When my electronic return got filed, what if they had sent me a note saying 'You know, Mr. Hutchinson, you're a great citizen. Thank you for doing that. You got it in ahead of time, that's terrific. That makes us proud, you know, that you're
willing to share your resources with us.' When they processed my return they could have sent me another note saying 'Hey, your return is processed. You are going to get a refund. You should look for that in about three days.' Three days later when the refund gets deposited they could have sent me another note saying 'You know, it's in the bank. Thanks again. We look forward to working with you next year.'

There's three more opportunities to touch me as a citizen. To actually connect the work of my state with my own experience. Think of the millions of opportunities we all have in our states to touch the people we serve and technology is making this so much easier. We can literally transform our relationship with our citizens using all kinds of computer and mobile technologies.

You know, our citizens--they can literally carry your government around in their pocket. They can file their tax returns, do complaints, look up what's on an agenda, get a license renewed. They could do all of these things
and every step along the way, you could thank them.
And every step after that you could actually think
ahead and say “Well, if you got a driver's license,
did you remember to renew your trailer license, and
what about the tow on your car. Have you checked
your tires?”
There's all kinds of ways we could connect
with our citizens and make their experience of
government well, extraordinary. You know, the
parking meter is just an example of that. But
there's another problem when it comes to
communicating about our results, and frankly that's
about us. It is certainly about me.
I am a wonk, which is a geek in
government, and that means I love data. The governor
told you this. I am a nut for evidence. I think the
stuff is fabulous and interesting. Here's the
problem: It's so boring to everybody else. You
know, you start talking about percentages of this,
percentages of that. You know, we all have math
anxiety and you know, 86 percent of the
population tunes out. I know this personally because
I have been rampaging around for years talking about a problem that you're intimately familiar with which is in our state, and I know it's true in every state. So many of our high school graduates, people that have a diploma that says they graduated from our high school, when they go to enroll in college they are told they have to take remedial courses. In fact, there is 38 percent. I use this number all of the time. Thirty-eight percent. Well, guess what? Nobody knows what 38 percent is, right? Because if it never happened to you, it's zero percent, and if happened to you it's 100 percent. It's thirty-eight. It doesn't mean anything.

I just despaired of ever getting anybody interested in solving this problem because they couldn't care about the statistics. It was a stat, not a story. Then I met this woman--my wife is here. I want to tell you this carefully. I met this woman at a bar in Deer River, Minnesota. Now, it was totally legitimate, 2006, and I was running for governor in the State of Minnesota. I leave that
off my resume pretty regularly.

I don't know why I was in a bar. I don't know why I thought people in bars would vote for me. It turned out they wouldn't, but neither would anybody else in Minnesota so it wasn't a big deal.

But I'm walking along introducing myself to all these people who didn't want to meet me, and I get down to the end of the bar and there is this young woman sitting there. Of course, she can see me coming right because I'm the only weird guy doing this. Just as I get to her, she spins around on her bar stool and she looks me in the eye and she says "You lied to me!"

I said "Wait a minute. Give me a chance to lie to you."

"No, you adults. You lied to me."

I said "What are you talking about?"

She says "Here's the deal. You told me I should go to school every day. I never missed one day of school, K through 12. You told me I should take college prep courses. I took all the college prep courses. You told me I should do my homework. I did my homework
every night. You told me I should graduate with a diploma. I graduated with a diploma from a five-star high school.”

In Minnesota we have a star rating for our schools. That's the highest possible rating. “I've got that diploma at home. It's got the five stars on it. You told me I should go to college. I went to college and when I enrolled they told me I had to take math and English over again. You told me I was a high school graduate. You lied to me.”

Isn't that a better story than 38 percent? Doesn't that convey the essence of the issue in a way that the statistics could never do? I think the challenge for us is to get focused on the story, not on the stat. I think all of us--and I know it's terribly true for me--we get sucked into all this data because we get handed all this data all the time. We need to be challenging our organizations, our staff, everybody to help us tell the story of results. Not just the statistics.

Now the governor rightly says there's
three key elements to the *Delivering Results*

and I want to ask the whole room to engage in a little experiment here. I just want to test your willingness to comply with various kinds of regulation.

So, let me start with this question. How many of you regularly and with thought, fill out your tax returns and comply with the tax laws? Everybody hands up, way up, way up. We want to figure out who the scofflaws are—no, really there are a couple prosecutors here.

*Show of hands.*

Take note. Okay, so, you know, 96 percent of the people regularly and willingly comply with our tax laws. Why is that? Well, if you go ask people and I have been asking people for years this question: About half the room will say well 'you know it's my duty as a citizen. It's the price I pay for civilization.' That all sounds great to me and then the other half tell the truth, 'I'm scared about being caught. Right, I don't want to get audited.' Because if you get audited, something really, really
bad happens to you. That's legit.

We have a system when it comes to our tax system where we are really focused on coercing compliance from people. We just want you to know, if you mess up, you're messed up.

Second question in our little thought experiment. How many of you regularly and unfailingly, when you're driving on the freeways, obey the posted speed limit. Hands up high.

(Show of one hand.)

(Laughter.)

MR. HUTCHINSON: You didn't hear the question? I'd say this is fabulous. Nobody, nobody, well maybe one. Think about that for a second. Now, why don't you obey the speed limit. Don't you know that the odds of being caught for speeding are four times as high as the odds of being caught for not paying your taxes. And by the way, when you get caught speeding, it's a lot more public. We all get to watch you getting a ticket. But nobody obeys the speed limit. It's posted right there. It's not like I don't know what it is.
But how fast do you drive, how fast do you actually drive? Well, you drive about as fast as everybody else. It's as though we all got together and agreed on a speed limit. It just isn't the one that's on the sign. Right? It's the truth. That is exactly, think about it. If somebody is going too slow, too slow meaning they are actually obeying the speed limit, we are all enraged. We honk our horns. We get real close to them. We're trying to speed them up a little bit and if you see that rocket man going by.

You know, some people, I'm in this group, we try to edge over and slow them down just a little bit. There is a speed limit. It's a socially imposed speed limit. It's what peer pressure can do when it takes over. So here's a case where we are getting compliance at a level that's incredibly high with almost no coercion.

Okay, experiment number three: How many of you unfailingly on a regular basis recycle your trash? Hands up, way up.

*(Show of hands.)*
It's just phenomenal how many people participate in one of the most disgusting things on earth. Separating our garbage into piles as though we are honoring it, and then on a regular basis taking it out to the end of the driveway in what used to be a simple act. I'm older than some of you and I remember when we just put stuff in the trash and we'd take the trash down to the end of the driveway.

Now we take the sorted garbage and then we take the paper and then we take the bottles and then we take the--right--and then we have these bins. Now what's astonishing about our level of compliance with this is, it ain't against the law to do nothing. And yet massive compliance. Massive compliance for something you are not even required to do in most places--not where I live--so why do we do that?

Well, think about the way in which recycling was brought to our attention. In the place that I live the powers that be started by running TV ads telling me about solid waste disposal and 38 percent this. When I woke up, those ads were still on. Had no effect whatsoever. One day,
I'm at home. I have two daughters and my oldest daughter was in second grade at the time and I'm throwing the trash in the trash, all I know how to do, and she looks up at me--this is daughter to father--and says "Daddy, you're killing Mother Earth."

Oh, I don't want to be that dad. I said "How do you know that?"

She says "I learned that in school."

Okay, now that's an interesting compliance strategy. We are starting to teach the young people to get the old people to do the right thing. Then they came around, remember all this? They came around and gave us those bins. I loved the bins. They told us it was for our convenience. What is it about sorting garbage again that's convenient?

It was a well-meaning. You know, different colors and they were going to make it easy for us, but the truth about the bins is, it's just like the highway. I live in Minnesota. On January 26th, the coldest day of the year, it's recycling day at my house. I have to, in my pajamas, I have to drag my garbage can down to the end of the driveway.
in a blizzard usually. Then I have to go back and
get the recycling and bring that back down. When I
slam that sucker into the ice, what do I do? I look
around. I'm taking attendance. I want to know who
else is foolish enough to do this.

Oh, and by the way I know that the kids on
the bus are going to do the same thing because they
learned it in school. See, what we've done with
recycling is we've created social pressure to do
something we would never order people to do. We've
actually created a compliance design that's radically
different from coerced compliance. It's a compliance
design called “Winning Results” and it's an
alternative not to displace what we've been doing but
to add to our toolkit for rules and regulations.

Think about how much cheaper it would be
to get people to do the right thing without forcing
them to do it. On the enforcement side, you don't
have to arrest them, you don't have to inspect them,
you don't have to audit them, they just do it. And
in fact the data you just saw in this little
experiment here, the data is that people want to do
the right thing. We just have to make it easier for
them to do the right thing and harder to do the wrong
thing. We can do that, that's within our power.

What about data and evidence? Back when
I was a school guy, one of the big issues in our
district was who was the best school? And, by
definition, who was the worst school, right? We had
all kinds of data. You all have lots of data on
school performance. I remember walking into one of
the meetings of our principals and I couldn't resist.

I said, "What's the best school in this
school district?" Everybody knew the answer. I said
"Well, how do you know that?" 'Best test scores.' I
said "Has any other school been at the top of the
list?" 'No.' "Why do you think that is?" 'Well,
because all the kids that go to that school are upper
middle class kids and they've always been upper
middle class kids. They get the higher test scores."

Oh. So we've got a list. We actually had
a list of one hundred schools. The schools at the
top of that list had always been at the top of that
list. The schools at the bottom of that list had
always been at the bottom of the list. That was our
evidence. Those are the best schools, those are the
worst schools. That was our evidence, and we were
making decisions and we were actually allowing our
parents to make decisions on the basis of that
evidence.

I said to the principals "Wow, it must
really suck to be the principal of one of those
schools on the bottom of the list, knowing you can
never change your position on the list. It's
immutable." They said 'Yes, that's the worst job
there is. You tell me to go make things better but
the way you're collecting the data and the evidence I
can never get better.'

So maybe we're asking the wrong question.
Maybe instead of asking who's got the highest test
scores, maybe we should ask, what school moves their
kids the furthest? So we did. It took a couple
months. We had a genius, PhD, you know, analytics,
big data kind of guy do this. This is back before
Big Data was big--and he comes back with this list
and I said "Okay, what's the best school in
Minneapolis?” He gave me the same answer and I said
"Actually, no that's not true.” “What's the worst
school in Minneapolis?” Same answers and …
“Oh, actually that's not true.”

I put the list up. It turned out that
that school that had always been on the top was right
in the middle of the list. Didn't move its kids the
furthest. Had the highest test scores but it wasn't
moving them anywhere. They came in with the highest
test scores, they went out with the highest test
scores but they didn't move anywhere. They were in
the middle of the list and guess what? That school
that was at the bottom, was right next to them.

All of a sudden, what that said to the
principals and the families in our school district
was that if you got into a school that could move
kids, you could make a difference. If you were the
principal of a school, you could alter the place on
the list by changing the effectiveness of how far you
move pupils.

That's about using data and evidence to
deliver results. I use this image because it builds
on this fundamental belief that I have which is when
we are in the dark, things look a lot better than
they really are. I don't know what's out there, but
I'm pretty sure it's not benign. If we don't know
what's behind the data and evidence that we're using,
it's like fumbling around in the dark. The worst
ting we can do is to call that darkness light.

To claim that that ranking, that use of
evidence was appropriate, that was a mistake and it
lasted for fifty years and it's still lasting by the
way. One of our jobs I think is not only to use data
and evidence but to pursue data and evidence that
answers the fundamental question, are we making a
difference in the lives of the people we serve?

Finally, leadership. I'm going to end
with this and I have a lot of passion about the role
that we as leaders play and the difference that we
make for the people that we serve and that passion
comes from a little girl named Andranetta who I'm
going to introduce you to. Andranetta was a second
grader. I wandered into her classroom one afternoon
and the teacher said 'Boys and girls. Boys and
girls, stop what you're doing, stop learning, we have
a very important visitor. We have the Superintendent
of Schools. Does anybody know what the
Superintendent does?'

Now I mentioned earlier, I wasn't trained
and probably wasn't licensed to be a superintendent
so I had a real interest in an answer to this
question, what does a superintendent do? It would be
important. And here is the best part, it was second
grade. Second graders will answer any question. Any
question. So when she says does anybody know what
the superintendent does, every hand in the room went
up and I'm thinking that I've got the goldmine here.
Right down in front was this little guy
named Michael. Michael was trying as hard as he
could to follow the rules. He knew the answer but
he's just trying to wait to get called on but he just
couldn't do it. He jumps up, he says 'I know.' The
teacher says, 'All right, Michael, what does the
superintendent do?' 'The superintendent is the guy
in charge of Super Nintendo.'

(Laughter.)
I've got to admit, it sounded like a better job.

This brilliant teacher, she turns to him and she says 'Michael, that was a really creative interpretation of the language, but actually the superintendent is the leader of our schools. Does anybody know what the teacher does?' Let me introduce you to Andranetta. Andranetta was a little girl sitting way in the back, as far back as you possibly could. She had her hand raised so high I thought it was going to dislocate.

Thankfully, the teacher called on her. Andranetta gets up and the teacher says 'okay Andranetta, what does a leader do.' She looks me square in the eye and she says, 'A leader is someone who goes out and changes things to make things better.'

Now, I flunked out of leadership school three times. I have read probably every leadership book there is. That is the single best definition of leadership I've ever heard. I ran back to the school district. I got all the principals together. I
said, "I've got good news and bad news." 'What's
the good news?' "The good news is I got our job
description. Change things and make things better."
'But what's the bad news?' "The bad news is the
second graders already know."

Out where we live, out with the people we
serve, they already know. They didn't elect any of
you to maintain the status quo. They elected you all
to change things and make things better. Delivering
results is how we do that. The better they're
looking for is when we make the extraordinary
ordinary. They don't expect us to do it all tomorrow
or all at once. They just expect us to show up every
day and make one thing better in the direction of
making the extraordinary ordinary.

When we do that, we win the fundamental
competition for public support. When we do that, we
strengthen the institutions that are the essence of
our society and culture, and that's worth getting
excited about. Thank you very much.

(Applause.)

GOVERNOR HICKENLOOPER: All right, thank you,
Peter for an illuminating presentation. We've got time for some questions from the governors. Do I see any lights going on? I'll ask you one question: when you look back over your work at all these different levels, you know, where do you think, relative to state government, where is the greatest opportunity? In other words, if you are going to make a priority, where do you get the biggest bang for your buck?

Where would people want to start?

MR. HUTCHINSON: So I'm going to answer that in two ways: So on the one hand, what do we do in state government? What we do is we educate, we medicate, we incarcerate and we obligate. I mean, if you think about your budget, that's probably 90 percent of your budget. In your K-12 and higher ed systems, your health and human services systems, your public safety and corrections systems, and pensions and other obligations. So we need to target those parts of the territory. That's where the action is. That part's easy.

I think that the two things that are hard
are the following. Actually, Governor [Tom] Vilsack when he was governor of Iowa told me this story. He said 'you know, the thing that you have to remember to do in these jobs'--Governor [Terry] Branstad knows this just as well as Governor Vilsack did--is 'you gotta go touch people where they touch government.' We don't have the luxury of doing that everywhere because so much of what we do is done through others. Much of our money passes through to someone else.

So a second part of the answer to this is where we do touch people, we should touch them brilliantly. Taxes, licensing, permits, all of those things where we actually do touch human beings, tuition payments, grants and aides, all of those sorts of things. We should make those experiences as easy, as simple. I really believe that the goal for the public sector is no touch service. To get to the point where literally I can pull out my phone, I can do what I need to do and I never need to touch anything again. We're very close to being able to do that today and some services, I would say in ten years we will be able to do that everywhere.
But there is actually a more fundamental challenge I think for us in government and that is that the government we have today by and large was invented a hundred years ago. Our government is a reaction to the corruption and the trusts and all the terrible things that went on at the turn of two centuries ago, right? We elected people like Teddy Roosevelt to kick up some dust and fix things. We went from a government of chaos and corruption to a government of control. If you think about it, to use your metaphor, if you think about the DNA of the governments that you are running, the DNA is fundamentally about control. We have all kinds of controls, control procedures, we're focused on controlling things and we needed that. The truth, and we call it bureaucracy, we call it red tape, the story is it worked. It's fabulous. We don't have that kind of corruption today. We don't have arbitrary stuff going on at the scale we used to have. It worked, it was fabulous, but the world changed. It's not the same world. We're trying to
run twenty-first century governments with early
twentieth century systems. I think the harder
challenge, while we're winning the right to do this
by changing the way we touch citizens and the way we
touch us, behind all that we've got to take out the
DNA of bureaucracy and replace it with the DNA of
results. We're doing it. All of you are doing
pieces of this.

All of you know what has to happen, but
we're not very systemic about it, but it will happen.
Bureaucracy took forty, forty-five years to come into
being and results-oriented government will take
another forty or so years, but it will still come
into being because citizens will demand it, and we
will have the capability to actually do it.

GOVERNOR HICKENLOOPER: Governor Herbert then
Governor [Jay] Nixon.

GOVERNOR HERBERT: Well, thank you Peter. We
appreciate you coming here and sharing your expertise
with us, and it was illuminating and enlightening.
As you were talking about leadership and
the definition of leadership, change things to make
things better, I expect that most all of us have been
involved in efforts, in campaigns saying 'elect me'
because I will change things and make things better.

Then you have the debates on those issues
with whoever is involved in the campaign. My
question is how much of being a leader is based on
personality? You hear about a charismatic leader out
there, a natural born leader. How much of it is
innate, is part of your personality or some gift you
were born with, and how much of it is learned and can
leadership be in fact learned? Particularly in
politics, we talk about a lack of leadership in
certain areas of politics, mainly Washington, D.C.
But what is learned and what is innate? Can we
improve our leadership capabilities and how?

MR. HUTCHINSON: That's the most profound
issue that I think we all face. I think the answer
is yes and yes. So I really believe the qualities
that each of us have, they are innate. They are
virtually what we were born with, what we grew up
with depending on our own family circumstances or
whatever, and we learned a ton along the way. I
don't think of myself as a great leader but I do
think I've changed a lot.

When I was younger I thought I knew the
answers. Now, I'm pretty sure I don't, and I believe
my ignorance is actually my greatest weapon. I
learned from that warehouse example, I didn't need to
know the answer. I needed to make it possible for
people who did know the answer to go do the work. I
actually think that's the secret to success, is that
it's certainly not about being smarter, because I'm
not smarter than anybody and collectively we're not
smarter than a whole bunch of other people.

But if we can organize the way things
happen in our organizations so that those who are
smarter can go do what they know how to do and feel
like they have the authority and the power to be able
to do that, my experience is you can pretty much
count on people to pull stuff off.

That seems counterintuitive to sort of our
usual definitions of leadership which is the person
riding in from offstage on a white horse to save us,
right? I actually think it's a person riding in on a
mule that is tearing down the things that are standing in the way of our organizations of doing for our people the things that our people want and those people in those organizations would do.

A friend of mine used to say that the real job of leaders is to go around and start fires and then run around and take the fire extinguishers away. To make it possible or necessary for people to do the right thing. I think the best examples in the country are examples of that. That's learned. I think you learn to do that. I think you learn how to not, how to not do what everything in you tells you want to do.

I mean, that warehouse deal, I can't tell you how much I wanted to get in there, put on my coveralls and reorganize the damn thing. It never would have happened if it were up to me. They had to do it. I had to get out of the way and get other things out of the way and make it possible.

GOVERNOR HICKENLOOPER: Two suggestions before we go to Governor Nixon. One, I would suggest don't use the fire analogy in a summer meeting, especially
with Western governors here. Second, I will just
throw in an alternative definition of leadership I
got just a couple of months ago, was a leader is
someone who persuades people or even one person to
think and do something that they didn't otherwise
believe.

The thing that is nice about that is it
takes it back down to the granular level and really
does, as Governor Herbert was talking about, does
everyone have an opportunity to lead in some way with
somebody and some? ... I think once you convince
people that everyone's a leader, you open up a much
wider field.

Governor Nixon?

GOVERNOR NIXON: Some major industries as well
as government has gone through a transition over the
last few years, especially when some of us have been
in office during a recession in which we have had to
downsize. In Missouri, we have 5,000 fewer
state employees than the day I was sworn in.

What insider advice do you have in order
to motivate folks during that type of process?
Because it's not fun and it's especially difficult in the government sector where folks are very much expert in their areas, so bought into what they are doing. What advice do you have when it's clear that at the end of the process the same or even more work is going to be done with fewer people getting paychecks? As far as motivating and dealing, in keeping.

MR. HUTCHINSON: Two things about that. The first is ten years from now, our governments are going to be even smaller than they are today. It's inevitable for two reasons. One is we will not have the resources to afford the scale of government that we have today. Even more importantly, technology is just going to drive work away from human beings and into the hands of technology. Especially transactions, and we have huge transactional enterprises in our governments and over time we're just going to not have people doing those things. So we're going to get smaller but I've been through this many times personally that the key is to keep people connected to the people they are
serving. What allows people to move forward is their passion, their commitment to the purpose, their belief in what it is they're trying to achieve. Part of our job as leaders is to help people disconnect that sense of purpose from the process we happen to be using today, because those processes are not going to be the processes we use five or ten years from now.

Again, because technology is going to replace things. We are going to find better and faster---we are going to make it so we can target our resources and so on. What I hear when I'm working with organizations that are downsizing is people; yes, they are worried about their job for sure and they are worried about the way they have always done it; but they're mostly worried about the rivers are going to be dirty. The air's going to be foul. People are going to do terrible things if we don't keep doing what we've been doing exactly the way we've been doing it for the last twenty years, and we have to help people realize that in the course of getting smaller we're not giving up on the big ideas.
In fact, we might re-up on some of the big ideas because we've got new capabilities that are going to allow up to actually deliver better outcomes than we're delivering today but differently, with different approaches.

Back to my warehouse, if you let people—if you're tight and fixed on the outcomes but loose on the means, people will go figure it out. If, and this is just natural human nature, they want to push back to you and say no, you figure it out. You come and tell us the answer. We've got to resist the temptation to figure it out. We have to say 'Look, we have an absolute obligation to the people we serve to do X, here's the resources we've got. Figure it out. It's a design problem.'

My experience is people will do that. They'll rise to that occasion. They're smart, they're creative. They do want to know, by the way, if you've laid off 5,000 people and you're doing that, am I now going to get laid off after I solve this problem for you? So you've got to sort of deal with 'yes or no' and I think the answer needs to
be no. Another guy gave me some great advice, he says 'you know measure twice, cut once, but cut once. Don't cut again then cut again and cut again because then people won't believe you. You'll lose the ability to get people reconnected.'

GOVERNOR HICKENLOOPER: Governor [Terry] McAuliffe?

GOVERNOR McAULIFFE: Peter, please tell me that when that guy called you at 6:40 in the morning to tell you he had fixed that meter that you said 'You're hired.' You hired him. Because if I had a guy in my state government that called me the next day, I tell you I would have hired that guy and would like him walking those halls in my state government every day and that's why he'd get hired because he did something like that.

MR. HUTCHINSON: And, to make sure this is clear how systemic this is, we've now in our family called 311 three times. So the parking meter guy calls me back and tells me it's fixed. I've got a street light out, I call at 10 o'clock at night. They are there at 6 o'clock in the morning replacing the light bulb.
We had a dead animal on our property while I was away and so the family was concerned. My wife calls 311. This guy could not have been, I mean, I should get her to tell you the story, but there's no way this guy was reading from a script. There is just no way.

Whoever hired this person, this is back to can you learn or is it innate--whoever hired this person hired someone that was naturally sympathetic and at that moment that's what we needed. So three for three--so whoever is organizing this thing has got it organized around, they get it. It is about those people, not about us. Their experience, not about ours. It's phenomenal. We can do this.

GOVERNOR McAULIFFE: I would love to have him in Virginia, okay? Call him back.

MR. HUTCHINSON: *(laughs)* I won't give you his name.

GOVERNOR HICKENLOOPER: I would argue that if you can call at 10 o'clock at night and at 6 o'clock in the morning someone is down there doing the job, you might be overstaffed.
GOVERNOR HICKENLOOPER: I'm just saying. If you hadn't called, what was that going at 8 and I would also say at 6:40 in the morning my first response might have been 'Maybe wait. Don't call our citizens before 7.' Just as a consumer.

GOVERNOR HERBERT: But they might be a little more laid back in Colorado. I will leave it at that.

GOVERNOR HICKENLOOPER: Other questions?

Yes, Governor [Jack] Dalrymple.

GOVERNOR DALRYMPLE: Now Peter, you were a financial officer. I've got to ask you what you think the long-term outlook is for state budgets? Do you think there is an inherent, never-ending desire for more services and at the same time, lower taxes and inevitably it drifts to the unending deficits and kind of a more of a Federal Government type of problem long-term?

MR. HUTCHINSON: So three things on this.

The first is there's no question that on average states are going to be in a permanent fiscal bind.
The underlying cost of the things that we're responsible for are rising inexorably faster than the underlying revenues. That's a condition. I don't see any reason why that would change. There's so many other things going on in the economy that are going to actually suppress its growth rate. Similarly, there are so many things going on in society that are pushing up the costs. I think that's a condition we face.

We can't print money so we've got to deal with it. I think the central challenge, I actually think this is what's going to happen to state budgeting over time. In most states, when we begin the budget process, we say 'How much did we spend last year?' Then we say "How much would it cost next year to do exactly what we did last year exactly the way we did it last year?" The answer to that question is more, and it's always more than we have.

Then you, as the chief executive, your job is to figure out of that more the people say they need to keep doing exactly what they were doing last year, how much of that more can people not have? And
when you start announcing those thing that you're not going to do, those are called cuts. It's a bizarre system in which you could be spending more money and be accused of cutting your budget, but it's the system that we are mostly operating in.

I think for our own self-preservation you should end that system. You should stop asking people how much would it cost next year to keep doing exactly what we did last year. Instead, you should say to people: 'Here's how much money we have. Here's how much money you have. What I need from you is the same quality of service that we delivered last year, if not better, with the money we have.' People should be coming to you, not with proposals to spend more but with ideas about how to redesign their services so they can deliver more with the money they have. The shorthand for this in my world is right now we have budgets that are paying for costs and we should convert to budgets that purchase results. We're just not doing it. In states that have tried this, in counties that have tried it and cities that have tried it, you get amazing results.
But it's like the issue with the warehouse, you've got to change the rules of the game. The rules of the game right now are stacked against governors. They put you in the position of having to only say no to people. I went through this, when I got to be finance commissioner in Minnesota it was bonding time, which is one of the craziest experiences I've ever been through. We had about a half a billion dollars available for bonding and we had $4 billion in requests.

I sat down with our team and I said 'How do we sort this out?' They said 'Oh, we don't know. There's some process but basically three-quarters of these requests are going to get turned down. I said "Well, that's nuts. We've got all these people thinking they might get something they're never going to get and our job is going to be to call them up and tell them 'you're not going to get it.' They're going to blame us saying this is nuts? We've got to change the rules. Just answer this question for me, who pays the debt service on those bonds? 'Oh well, we do.'
So will the people asking for this money have no obligation, no financial obligation to pay it back? I want that deal. That's like telling me I can have ice cream for free. I want more.

So we just changed one little rule. We said the organization is requesting that debt, had to pay one-third of the debt service. The next day, $2 billion worth of requests disappeared. Disappeared. Because if it wasn't free, then I had to think about it if I wanted to spend the money. It's about changing the incentives in our budgeting systems.

I believe we are all ultimately going to alter the way we do budgeting and move away from, the reason we have this budgeting system is that bureaucratic thing about controlling costs. That's how we all grew up. We really need to focus on buying results, making sure we're getting our money's worth. We are all doing studies about this, but we have to make it the essence of how we spend. Not the essence of what we study.

We have to say there's no other way to get
money in this state unless it delivers results that we can actually see and count on. The same way when we purchase a good or service as a state we expect a quality product. We should expect that from every dollar that flows through our systems; but right now they are not set up to do that.

We don't even have, we have a chart of accounts, those of you who look into your accounting system, you have a chart of accounts? You have no chart of outcomes. You have no chart of results. Our systems simply are not designed to focus on results. Well, until they are, we're probably not going to get them.

GOVERNOR HICKENLOOPER: So Governor [Asa] Hutchinson and Governor Fallin, I think Governor [Kate] Brown, your light's on.

MR. HUTCHINSON: This is my cousin, Governor Hutchinson.

GOVERNOR HICKENLOOPER: Anyway, before that though, I just want to, in terms of the budgeting. One thing we all have is a retirement rate of baby boomers over the next ten years that's going to allow
us to use technology to do things less expensively.

Many things, not all things, but that's more of an optimistic side. Governor Hutchinson?

GOVERNOR HUTCHINSON: Yes, from the Southern branch of the Hutchinson family.

Great presentation, very thought provoking. When you talk about government getting smaller, reduced money, technology assisting, I thought of two challenges. Whenever you're looking at transactional services like collecting taxes, license fees, delivering licenses and so on, it's all transactional technology is the answer, I can see that.

When you are talking about child protective services, the human touch that's required to go into a home and to see if a home is well taken care of, processes in court that's human delivery, I see greater challenges. The other challenge of course is higher education, because many of us do not have a level of control over higher education. So what is it going to take to get this message of efficiency, of technology, of changing to a
results-oriented environment in higher education? Is there any hope in that environment?

MR. HUTCHINSON: Yes. But first I want to talk just a second about child protection services and other high-touch services because one of the, we've done a lot of work on this and one of the challenges, even in those parts of what we do is the amount of administrative stuff that our caseworkers are required to do. For example, we have caseworkers that are spending 30, 40, 50 percent of their time doing administrative instead of taking care of kids, and that is a place where we can offload a fair amount of that time and repurpose those resources back to kids.

You know, higher ed and education, this is my passion. It makes me nuts, and on the one hand our K-12 systems are not producing the quality of high school graduates that we need. We've got this young woman who was lied to then and we're still lying to too many of our young people about what's happening to them in the K-12 system. But we have a different problem with what happens after that and it
is actually what Governor Fallin asked us to focus on last year.

It is a major disconnect between the requirements of the work system, the work force, the economy and what's actually coming out of our higher ed systems. We're graduating all kinds of people with all kinds of degrees for jobs that don't exist and we're not graduating people where our economy really needs them.

This mismatch is much more evident today than it ever has been in the history of our country. Again, it's not somebody's fault. It's systemic. It's in the design of the system. So, we now have tools that can assess what the labor force needs to look like. We have the ability help employers articulate what are the skills and capabilities and competencies I'm actually looking for. By the same token, we now have the capabilities to tell our young people 'What skills, capabilities and competencies do you have? Not 'What degree do you hold? Not what your major was, but what can you do?'

This is a long way of saying, I think we
have to change the conversation from degrees and
graduation rates to the acquisition of competencies
that are required in the workforce. If we can arm
both sides of that transaction to talk turkey about
what it is I really need to be able to do and what it
is I really need you to be able to do, and change the
way those two things are connected with one another,
what will happen is that students will push the
higher ed system to change. They will drive the
outcome.

They've been doing that in a sense because
they thought what was, you know, there was a time
when everyone thought being a lawyer was a guaranteed
road to success and now they found out that's not
true and legal enrollments are plummeting in this
country with no policy change. They are plummeting
because there are no law jobs, and the law jobs there
are terrible, and the word got out. That's the
power of the, not the market so much but of the young
people to drive the way our systems change.

I think our job is to get that
transparency out there so people can see what is the
labor force going to need to be able to do and what are our systems actually producing, and then the third piece is who does it best? You know, if you need a numeric control operator, where's the best place in my state to go get that done? You can know the answer to that question.

If you need higher order big data skills, what's the best place in my state to get that done? You have the ability to know the answer to that question. Publish it. Make it real, get it in young people's hands. They'll drive the system because the system, you know think about what, I'm very sensitive to this legal thing because it costs so damn much to become a lawyer and now it turns out you can't get paid.

The system is just wrenching itself.

Right now, in front of us without anybody passing a law or regulation or anything to make that happen and it's because the transparency finally caught up with the reality. We can accelerate that process I think. We've got the tools.

There are some wonderful new tools
available to look at higher ed curriculum and connect it to capabilities and competencies to look at the skills and capabilities of people in the workforce, to look at the skills and capabilities that are coming through our job systems. We can make this connection. We can make it really powerful, and I think Governor Fallin's initiative last year was a great start to doing this but as governors, because we don't have other controls, we need to change the few things we can control and surround the system -- back to my warehouse example--to allow it to change. We're probably never going to make it do it, but allow it to feel the consequences of not changing.

GOVERNOR HICKENLOOPER: Governor Fallin.

GOVERNOR FALLIN: Thank you, Peter. I want to thank Governor Hickenlooper for making this his project this year, Delivering Results, because as the other Governor Hutchinson, or the only, who was talking about --

GOVERNOR HUTCHINSON: Stipulate the only.

GOVERNOR FALLIN: --you know, how do we
deliver results in higher education? How do we
deliver results when you look at the ever-increasing
cost of Medicare. There is an article in the paper
this week about Medicare and Social Security and when
they're going to run out. I hope I can still be
alive, and that they run out after I'm alive because
we are all getting to that age--but I want it to be
there for when my children and my grandchildren and
everybody else has access to these systems--but
back to delivering results.

So one of the things we moved on after we
started realigning our educational workforce to get
people the right kind of job skills, keep our economy
strong was, we moved on to the challenge that many of
us face as governors is that we'll at times, we have
really strong economies and other times we have dips
in the economy. Right now my state and some other
states are at a dip in the economy because the energy
sector is beyond my control. It's international,
national and other policies, so when you have those
budget shortfalls and you have to cut back on
spending or you have to reprioritize how you are
doing your spending. We all have to do that periodically.

But getting back to John's, Governor Hickenlooper's initiative that is, how do we make sure that we're not just spending money on things we hope might work in reducing children and state custody or improving our education, how do we produce results that we don't hope will work, but things that we know do work?

So we've moved into a system called--and we deal with the Pew Foundation which helped us through a grant to devise a system called 'Performance Informed Budgeting.' We outlined five key areas of improvement in our state that we think are important like education, health, transportation, government accountability and jobs and the economy. Those are the five things we really wanted to improve upon in our state that we think are important priorities.

Then we asked all of our state agencies to develop metrics and data and goals with specific data points, and I'll give you a couple of examples: Like
we want to have a higher high school graduation rate.

We do want to make sure we reduce the remediation
rate as you were just giving a great story about. We
want to reduce recidivism into people coming out of
our correction facilities and going back in. Or we
want to reduce child/infant mortality deaths or we
want to reduce overdoses on prescription drugs, abuse
in our nation which I know Governor Hickenlooper's
been talking about, too.

So we gave these agencies the authority to
talk about ok, if you have a clean slate, what would
you do in health? What would you do in education?
What would you do in corrections? What would you do
in transportation or whatever your issue might be,
and to develop goals. But also set the year that you
want to hit that marker.

Then, we base our budgeting on, because
limited budgeting and shortfalls and it goes up and
down, on how do we fund programs, not that we hope
will work but that we can have measurable metric data
to prove that it does work.

Then we publish it on the hat
the taxpayer can say 'You failed in this area but you
did really good in this area. Or you need to tweak
this area or maybe that program that you established
isn't working anymore. It's not relevant anymore so
you need to put your funding up on this area.' So
that's kind of how we've been doing what Governor
Hickenlooper has been stressing in this year, is
producing results and then being accountable for that
as a state.

MR. HUTCHINSON: I couldn't be more
enthusiastic. I mean, that's exactly where we are
all going to get, some version of that is where we're
going to get. We did a couple projects like this.
I've been personally involved in probably like ten
budgeting projects like this; and one of the things
that was the most interesting to me was when, so in a
state they said their goals were, you know, 'educate
their kids successfully and preserve the health of
the population and transportation and so on.'
They took everything in the budget, there
were fourteen hundred programs and said 'every
program has got to attach to one of these goals, and
only one.’ So that was a mad scramble to figure out, 'Well, wait a minute. Why do we do this program; what's its real purpose?’ But they learned some really interesting things.

For example, in education. We think of education as K-12 and higher ed. One of the largest education organizations in this particular state was in the criminal justice system. Running schools in prisons. Running schools in the juvenile detention center. We never thought of them as part of the education system. Wow. When you start to think of them as part of the education system that's a really, really different group of people, right, who have terrific challenges and impose massive costs on societies.

What if that education system worked a lot better than it did and if it helped us think about where to target? It also allowed those agencies, because now you're working across three, four, five agencies to talk together about “What do you do and what do you do? We run a program like this and you run a program that looks kind of like this. Is there
some way that we can do that together better than
what we are doing separately?"

It just caused ... you know, we think of our
budgets in terms of agencies but we really could
think of them in terms of results that cut across.
The other thing I saw once, which is at this question
of balancing budgets especially in bad times. I saw
a governor do this and I'd never seen it done before.
He actually asked for volunteers and if you
volunteered, he made a new deal.

The deal was the following: You give me
10 percent of your budget. So that's your cut. I
give you much greater administrative flexibility. I
take a lot of the administrative away. I eliminate as
many rules and regulations and red tape as I possibly
can. I let you run your organization. He had a
whole bunch of agencies that took the deal.

Then the budget got even worse and the
question was would he go back and cut the agencies
that made the deal? And he didn't; and that was
incredibly important because it sent two messages.

The first is, he got his 10 percent. Ten
percent was a lot in the context of the budget they faced so double dipping on those agencies was really unfair. But more importantly it encouraged all the other agencies to take that deal when he offered it the next time. It changed the culture. It changed the character of the way people thought about their relationship with the executive branch. I thought it was a really interesting experiment. It seemed to me that it worked. Was it perfect? Probably not but it got agencies to think differently about how they, about what it would take. This is to Governor Nixon's question about what it would take to deliver. They were signing up for the same results they had signed up for the year before, with 10 percent fewer resources. But all they wanted in return was the flexibility. "I want to be able to move stuff around, change people, change organizations" and they did it.  

GOVERNOR HICKENLOOPER: Anything else. Governor Brown did you have a question? I couldn't tell whether your light got bumped into by accident or whether you had a question.
GOVERNOR BROWN: I am happy to ask a question if we still have time.

GOVERNOR HICKENLOOPER: Sure.

GOVERNOR BROWN: Peter, good to see you. I'm curious. I know that some states have taken the path towards budgeting for results, and my recollection is Governor Gary Locke made great strides on this path. I am curious to whether any state or local governments have been able to get on this path and sustain that path and if so, how have they been able to maintain budgeting for results?

MR. HUTCHINSON: So what Governor Brown is talking about is a sort of a pure form of what I described earlier, about really altering the way that we think about spending money, purchasing results instead of paying for costs. So the State of South Carolina did this at one time, Michigan did it at one time, Washington State did it, Illinois has a version of it still in place today.

This gets at the systemic challenge that we face. It's easy to go do--it's not easy--but it's possible to go do this once. Right, you sort of
disrupt what's going on, you jerry-rig the system and you can do budgeting for outcomes or budgeting for results. The problem is, it's not baked into the system. You're sort of fighting against the system because that machinery is still churning out all this cost information and standard forms and all this stuff that we have in our budget shops.

No state to my knowledge has gone in and actually altered the system. We are on, I can't tell you where, but we're on the verge of this conversation in one state and it takes ... it's again, another one of these revelations that I had years and years ago when I didn't understand how things work. If you don't change things like having a chart of outcomes, a code for outcomes in the budget system, the budget won't be about outcomes. You'll just have cost codes and it will be about costs.

So you have to really get into the nitty gritty of how the machinery works if you want people to change because we learned, they're willing to change. They find this very interesting. They come up with innovative solutions, but the machinery
starts to get in the way. I think that the real
challenge for you as governors is to, if you want to
go down this path, go down it but really be thinking
about how do I alter the machinery so that it could
actually produce what I'm asking for on a regular
basis.

Then the second thing, which is equally
difficult is none of the legislative process is set
up to do this. It's all agency budgeting and
cost-base budgeting and it takes a partner on the
legislative side. We successfully did this with the
legislature in Michigan quite a few years ago and
learned that legislators actually can do this. But
again, it's warping the system they currently have in
order to make it possible.

They did it and they did it very, very
well. But they were term-limited. Everybody left.
When you come back it's the old system still in
place. It's changing those systems. Those systems,
you know, they're fifty years old, they're sixty
years old. They've been around for a really long
time. So yes you can do it, but to sustain it we've
got to change the system. We've got to go in and
actually manipulate what the reports look like and
what the hearings look like and we know how to do it.
We know what it would take; but I think a
state with a courageous executive and then matched up
with courageous leadership in the legislature could
get this done. We've seen it in cities in counties
that have actually sustained it over time.

GOVERNOR HICKENLOOPER: Courageous is the
right word. It does remind me back when I was trying
to start a brew pub, a restaurant that brews its own
beer back in the late eighties. It's very hard to
convince people to invest in something--and this
is, you're considering a very, very large investment
of time and credibility and future--but when people
haven't seen something. When we were trying to get
people to invest in this concept of a, I mean my own
mother wouldn't invest. She kept saying 'You know,
who wants to eat dinner in a brewery?' I said 'No,
no, it's like a bakery. It's fresh, the beer's
better. The food is hot.'

But unless people have seen something,
it's very, very hard to persuade them to try something
that new. I think that's your challenge; it's to use
words and diagrams in such a way that you can
persuade people to take this leap of faith even
though they haven't seen it in action. Again, that's
where fortunes are made in the private sector. I
think that's where government changes in all of our
states is when people do take that leap of faith and
are able to be successful.

Any last questions before we adjourn? I
realize that I forgot to gavel us in. I did not see
this gavel here so this is not the end of this
session but this is--(gavel.)--now we are
officially gavelled in. Just to make sure. I'm not
sure about parliamentary procedure, but I just wanted
to make absolutely sure that we weren't engaging in
some level of misconduct.

All right, so we're done with this
section. Thank you all for being here. Peter, thank
you very, very much. We really appreciate your
taking all your time out.

(Applause.)
(Whereupon, at 2:35 p.m., the Opening Session concluded.)
NATIONAL GOVERNORS ASSOCIATION

Summer Meeting

July 25, 2015

The Greenbrier
Colonial Hall
300 W Main Street
White Sulphur Springs, WV

Closing Session

Governor John Hickenlooper, Colorado, Chair
Governor Gary Herbert, Utah, Vice Chair
Guest: Sylvia Mathews Burwell, Secretary,
U.S. Department of Health and Human Services
GOVERNOR [John] HICKENLOOPER: Folks, if I can gavel us into order. I want to welcome everyone to our closing session of the 2015 NGA Summer Meeting, and I think this might prove the most fruitful of all the time we spend here. We are going to spend some of this session examining health care transformation. I am very pleased and grateful that Health and Human Services (HHS) Secretary Sylvia Matthews Burwell is with us today. She has been extremely generous with her time, attending our last two meetings and speaking at our governors-only lunches.

At HHS, she oversees more than 77,000 employees and her work touches literally the lives of all Americans. Most recently she served as Director of the Office of Management and Budget. She has also served as President of the Walmart Foundation and President of the Global Development Program at the Bill and Melinda Gates Foundation, and perhaps most importantly at this moment, or at least most importantly to Governor [Earl Ray] Tomblin, she is a native of
Hinton, West Virginia.

My home State of Colorado is certainly an example of working with Centers for Medicare and Medicaid Services (CMS) on health care innovation on a variety of levels. For those of you who may not be aware, CMS has approved the largest combined data warehouse and analytic system for Health and Human Services in the country in Colorado. This system hits all components of the CMS triple aim of working to provide better care for individuals at higher quality, better health for our population as a whole, and reduce costs as a result of those improvements in health care quality for all of our citizens.

Without further ado, let me introduce Secretary of Health and Human Services, Sylvia Burwell.

(Appause.)

SECRETARY BURWELL: Thank you, Governor Hickenlooper. It's great to be able to join you all today. I'm especially happy as was mentioned to welcome you to the Mountain State along with Governor Tomblin. Less than an hour away is my hometown of Hinton, right across the mountain, and I just want to
invite all of you all to visit Kirk's, Home of the Hungry Smile. It's where my sister and I both started as waitresses, many years ago. I hope you'll go by.

If you don't want to go to Kirk's because they have hard serve ice cream, and if you want, go to the Dairy Queen it's only a half-mile further, and it is the most beautiful Dairy Queen in the nation. I'm not one to brag, but it's in a book. It really is. This is true, and if you actually went and you sat on the patio and you saw the herons and you saw the bald eagles and you saw the New River, you would say "Uh, it is." So I want to invite everybody and tell everybody, just tell them I sent you. I'm from a town where everybody knows everybody so please do head down to Hinton and check it out.

Kirk's was my first job and it's really where I learned about hard work. If you got stuck serving the hard-serve ice cream after church, you just kept dipping. Didn't matter how the forearm started to feel after a while--and I'm sure you can imagine the after-church crowd at Kirk's--you
worked until you got it done. That's one of the
lessons I learned in Hinton, and I also learned about
community.

That was what Hinton, where we are just an
hour away, is all about. You work together to get
things done. I know that those are the ideas that we
share, and as we've had our conversations, it's
something that I find particularly valuable and want
to do with you all. It's been one year since I first
met you all. I literally had not been secretary for
a month when I came to visit you all, and we were

I've had the opportunity to get to know a
number of you. Some of you are new around the table,
but even those I think I have gotten to spend some
time with and understand and see your passion and
dedication for the people you serve. You all have
been great partners and great supporters on a wide
range of issues that HHS has. Whether that's Ebola,
early education, preventative care--and I just want
to start by saying thank you to you all for your
partnership in this year.
You all are on the frontline of governing and I know how you feel. You have to answer for your work every day and we depend on you because your citizens are depending on you and you're crucial to our partnerships. So we appreciate that and thank you. I'm here today to listen and learn, so I will deliver some remarks but then want to hear your questions and our conversation, but I also want to ask you for your leadership in one of the most important things that I think is happening in the nation right now, and that is transforming the quality and value of healthcare for the folks we all serve, the American people.

It's an historic time and each of us has the chance to help reshape the system, to make changes that develop business, boost our economies and help the lives of the American people and it's a chance, I think, for us to lead together. I had the chance to discuss with a number of you shared health challenges. You know, for too long our systems have failed to put the patient first. Americans have struggled to navigate an expensive and complex
system.

We've paid for more care, but sometimes we have actually gotten less; but in the last few years we've actually started to see some turn in that. We've reduced the number of hospital readmissions by 8 percent and that translates to 150,000 fewer readmissions between January of 2012 and December of 2013. We've increased safety in hospitals with a 17 percent reduction in the rate of hospital-acquired infections and other things that happen to people when they are in the hospitals and so that's reduced costs estimated over $10 billion.

We made sure that those with preexisting conditions can't be denied coverage, and since key provisions of the ACA were implemented there were 16 million fewer uninsured in our nation. This is a foundation that we can build on. Like all of you, we want to build a better healthcare system, one that delivers better care, spends our dollars more wisely and puts educated and empowered consumers at the center of their care to keep them healthy.
At HHS, we've been trying to take some steps to make that a reality. In January, we announced historic goals to move 30 percent of Medicare payments to alternative payment models such as accountable care organizations and bundled payments and 50 percent of those payments by 2018. That means paying for value, not paying for volume, moving away from a fee-for-service approach. And by doing so we can pay providers by how well rather than how much care they provide people.

Just a few weeks ago we also announced a new payment model to encourage better coordination among providers who take part in hip and joint replacements for Medicare patients. This new model would create one payment with quality measures for an episode of care, the 90 days; from the point at which you have your surgery to the 90 days after that, you are supposed to be fully recovered from a hip replacement.

So rather than being incentivized by payments for each x-ray, blood test, check-up, they're going to have an incentive to focus on the
quality and the total cost of performing a hip
replacement and the included recovery.

Since Medicare and Medicaid cover nearly
one out of three Americans, we know we can have a
responsibility to lead where we can, but we will only
be able to deliver truly significant--and this is a
sustained change--if we have the support, input,
participation from hospitals, providers, insurers and
we work with the private sector and states to make
this happen.

State efforts can go a long way in
changing the status quo. We hope you will set your
own payment goals and work with your providers to
find better ways to deliver quality and to let us
know how we can help. To continue this conversation
with our partners we've established the Health Care
Payment and Learning Action Network. It's a forum
for public and private sector leaders to come
together to share strategies and ideas.

Many of your states’ healthcare and
business leaders are already part of it. There are
4,000 members and 600 organizations.
I want to thank every one of you whose states have already participated and your businesses that are participating as well. We hope all of you will join this conversation because it's a very important part of making sure we move as quickly through this transition as possible, that we do it in a way that changes working in the private sector and the public sector, and that we work together to see around corners.

Change is something that results in things that sometimes are known and unknown, but if we work together we can minimize any of the negative impact and work through this change more quickly. We've already seen great leadership from many of you to establish Medicaid system redesigns. I can look around this table and we are working with most of you on that and new payment and service models in your states.

Through Medicaid Innovation Accelerator program and the state innovation model, many of you all have grant funding to do that kind of change and we can continue provide those resources and technical
assistance. Another area where we have seen great
collaboration with the states, and I think you all
spent time on this earlier today, is efforts to combat
the prescription opioid and heroin abuse in our
country.

Last April, I wrote to each of you about
the opioid epidemic, where I laid out our strategy to
fight it, and we're improving opioid prescribing
practices, working to tighten that up, because that's
where a lot of this problem starts. We're increasing
the use of naloxone to reverse those overdoses
and we're expanding access to Medicaid-assisted
treatment. I didn't write to just inform you, I
wrote because we need your help, and we want your help,
and we want your ideas. Many of you all have
answered that call and are leading in that space.

I've had the chance most recently to be in
Massachusetts with Governor [Charlie] Baker and to be in
Colorado with Governor Hickenlooper to map out a path
that we--the federal government--can work with each
state to work through and make real progress. Many
of you all are also finding every innovative ways to
combine behavioral and primary care together, which
is related to this issue.

Today, I'm happy to announce that we are
going to create new ways for states to use waivers to
address substance use disorder. Our new guidance
will help states implement innovative treatment
approaches including developing effective care
coordination models to better connect those with
substance use to treatment. We've also heard your
feedback about the waiver renewal process for
existing demonstrations, and to address that we've
released guidance this week on a new fast-track
process related to the review and re-approval of
long-standing Medicaid and CHIP 11-15
demonstrations.

This will streamline the extension process
and reduce the administrative burden on states and
the federal government.

Additionally, we're going to award
$11 million in grants to help states provide
medicated-assisted treatment for opioid use
disorders. Next week, we'll make additional funding
available for hundreds of community health centers to
improve and expand the delivery of substance use
disorders and focus on treatment of opioid use
disorders.

I know I'm probably not supposed to do
that, but that's $100 million in HRSA grant-making.
So you have a sense, that's large. It wasn't in
my remarks. I'm looking at the press person who
will now go take care of the fact that I just
announced that.

(Laughter and applause.)

SECRETARY BURWELL: I'm here, you're here.
This is money that will make a difference in your
states so let's do it together. Sorry Ben.

(Laughter.)

SECRETARY BURWELL: As we learn what is
effective, it's important that we share these best
practices with each other and that's why NGA's
Prescription Drug Abuse Policy Academy is so
important and we are also convening representatives
of all 50 states, I have sent a letter to you all
asking for your three for everybody to come together
in September so that we can work to continue to build on that progress.

I want to thank Governors [Robert] Bentley, [John] Hickenlooper, [Brian] Sandoval and [Peter] Shumlin for their leadership on the recent policy academies. I am confident that this group will continue to do great work leading in this area.

I want to mention something else that is helping to change the system and move us to patients at the center; and that is precision medicine. As we transform or 'individualize' medicine as it's sometimes referred to. And as we transform our health system, we talk a lot about the best way to get people care and how to give doctors the tools they need to deliver the most effective, highest quality treatments.

But the revolution that is happening in biomedical research is also a place where we have a chance to change the very nature of care that we provide. With more efficient sequencing of our own genes and even the DNA of microbes and tumors, we can begin to personalize medicine like never before.
I've had the opportunity to meet with the scientists and the patients who have been a part of this. I was up at National Institutes of Health (NIH), and I met with a gentleman named Don Dean who is one of those patients. He is from South Carolina. He came to the NIH with kidney cancer in 1992. Like his father and his sister, he had a rare hereditary cancer with a mutation that is called the MET mutation gene. It causes tumors to just continuously grow. So since his first visit he had to have his full kidney removed and on the other kidney, he has had 96 tumors removed.

But thanks to precision medicine and our doctors at NIH, they were able to determine the genetic cause of that particular cancer and develop a treatment. At first that meant managing the tumors so what that was doing is they were understanding how they were growing and they caused them to shrink so that they wouldn't need to be removed.

Eventually, Don received a trial drug that actually targets the MET gene, and his tumors shrank and now are at the point where Don lost his father to this disease, but thanks to precision medicine Don's
actually doing just fine. He sent me a note and he said “Often, the best thing you can do is give somebody hope.” So some of the most interesting events I do are with these scientists and with the patients that are doing this.

They're in your states. They are the people that are doing this science everywhere, and I would just encourage you all as part of this overall vision of where the science is going to meet with some of those folks. It's exciting, it's interesting, and you really do see the vision of where we are going to go.

Before I close, I wouldn't be doing my job if I didn't raise the issue of expanding health care coverage for many working citizens in your states. I think you know what I'm talking about. I want to emphasize trying to do it in a way that is helpful. I want to emphasize that this is about your citizens' financial and health security, and it's also about the economic health of your states.

In every state that's expanded Medicaid; if every state did, more than 4 million Americans
could have access to quality, affordable care. These
are lives that would be changed and in some cases
even saved. With more people covered, economies
actually benefit. In 2014 alone, we reduced hospital
uncompensated care costs by an estimated $7.4 billion
dollars in the country, and $5 billion of that
reduction is estimated that 68 percent of it comes from
the states that have done that expansion.

We know there are challenges, but I want to
make sure you all know that I'm committed to working
with you to find solutions. We welcome this
conversation, and we want to help you design a system
that fits you and your state. One of my favorite
parts about this last year has been building
relationships with you all.

I've had the chance to see your beautiful
states, drink some of the best lemonade around, and
even be sent home with homemade cookies after a
meeting at one of your mansions. My children even
got to eat donuts in a governor’s mansion--you know
who you are. It's official: You are their favorite.

(Laughter.)
SECRETARY BURWELL: What I said a year ago, I still believe, which is, we won't agree on everything but we have more in common than we have in conflict. We have common interests and because of that we share common ground and a commitment to serve the American people. When we can work together we can do some very great things.

So thank you all for having me back again and I look forward to your questions.

(Applause.)

GOVERNOR HICKENLOOPER: Two things I think were apparent there. One is that you heard her say “back agin”. The West Virginia accent does, when she's here, change the way she speaks.

SECRETARY BURWELL: My twang is back.

GOVERNOR HICKENLOOPER: Governor Tomblin, wouldn't you say that's true? Second also, I think your approach reflects that combination of private sector experience and public service you have done throughout your whole career, which I think all of us appreciate.

So we have time for questions. Who wants
to ask the first question? Governor [Asa] Hutchinson?

GOVERNOR HUTCHINSON: Secretary Burwell, thank you for your presentation and really your desire to find middle ground with many governors and to look for more flexibility. I've enjoyed our discussions in that regard. Also, appreciate the connection that you have to Hinton, Dairy Queen, but also the connection that you have to Arkansas, and the time that you spent there.

I might have missed it, but I wanted to give you an opportunity to comment if you haven't done so, on the--you mentioned the 1115 waivers, but I'd like for you to comment also on the 1332 waivers because there's an understanding, at least in my neck of the woods, that the 1332 waivers were designed to provide more innovation-type grants, a broader range of grants or flexibility beyond simply the traditional Medicaid.

Can you comment on your alls approach to these waivers and what guidance you can give the states?

SECRETARY BURWELL: So in terms of 1332 versus
1115--1115 are waivers that are focused on Medicaid; 1332 are the waivers about the marketplace. If you go and look at the legislative history, the legislative history and those that promoted 1332 waivers were about those that wanted a single-payer option for states. So that's not necessarily what 1332 is or will be about.

What 1332 is about is about an ability to actually meet the objectives and goals, and it's set out in statute pretty clearly in terms of budget neutrality, affordability, access that is happening through a marketplace approach an exchange approach, an approach where a citizen in your state receives a tax subsidy if they are eligible to go onto the marketplace and have help through cost-sharing and tax subsidies.

If a state can figure out a way to meet those conditions; and it is pretty clear in the statute in terms of the affordability, it is about the quality, it is about the access and it's about the budget neutrality that we want to give states that opportunity to come in. We recently, in the
last week have put out additional ways in which
states can come in and have these conversations with
us. I think you all know they don't kick in until
2017.

I think it's probably pretty important
that 1332 application to medication funds, that
waiver isn't. It's about the other piece, the
subsidies and that funding. About 1115, and we want to
work to be flexible as I have indicated in the 1115
space, in terms of thinking about how you spend your
Medicaid dollars and how you think about innovative
ways to perhaps advance that program; so they are
different.

GOVERNOR HUTCHINSON: Thank you.

GOVERNOR HICKENLOOPER: We have a question
from Governor [Terry] McAuliffe and then Governor [Jack] Markell.

GOVERNOR McAULIFFE: Great. Well thank you,

Madam Secretary. Virginia is one of those states
that we haven't closed the coverage gap, about
400,000 Virginians. We forfeit about a
$1.7 billion a year, I could save my budget
$232 million just this
year; so we are working and trying to do a bipartisan
way to get it done, but I do want to thank you and
your office. They have been absolutely spectacular
for us to come up with creative ideas.

We were successful, one of the few states
with the planning funding grants on the state model
for innovation. I cannot tell you, this is driving
innovation reform in Virginia, and I'm wondering what
is the possibility of continued funding for these
types of grants to help us do the reforms at the
state level or some mechanism like it?

SECRETARY BURWELL: So, at this time I don't
think we have a plan for round three. I think many
of you know we've done rounds two and that's
something that I think we will have to go back and
look, one of the conversations that is happening
right now in Washington which is an important
conversation that not much attention is paid to right
now, certainly. I'm sure you all are focused on a
transportation conversation which is an extremely
important one. But another one that's very important
to all the states and to the nation is the actual
budget conversation.
I think you all know that right now current law is a sequester level; and for us at HHS it will be some of the lowest levels of funding in a decade. So I think some of these questions will be answered as we move forward as part of these conversations about where we are and where we are going to be. I'm hopeful that there will be another equivalent of a Ryan-Murray approach and we can move forward, but that has not yet happened. That's not the specific answer to your question, but certainly as we think through things it is related.

GOVERNOR HICKENLOOPER: Governor Markell?

GOVERNOR MARKELL: Thank you, Madam Secretary.

Delaware also received one of the SIM grants where it has allowed us to accelerate significantly our work to try to move away from the fee-for-service model, and my question—which really means improving access, improving quality and bending the cost curve. We're encouraged by how all of the stakeholders are really at the table and working together. My question is really around the cost issue nationally,
and certainly some of the stuff that I've been reading recently in terms of national healthcare costs and rates.

It seems like there are a lot of increases around the country and despite efforts underway in many, many states to try to move away from that fee-for-service model. I am just wondering if you can comment on that a little bit.

SECRETARY BURWELL: So I think with regard to the issue of overall cost and whether it's cost in the private market or cost in Medicare what we have seen is, some of the lowest--there was even an article again this week by Kaiser. We have seen some of the lowest growth on record. I think this week's article said 50 years in terms of the question of per capita cost growth.

And in Medicare growth, having just done the Medicare trustees meeting, over the last five years to give you a sense. In the last five years, Medicare cost growth, last four years, Medicare cost growth has been at 1.2 percent. It was the four years before at 3.6 percent. That's still growth but it's
downward pressure.

There's a second part of your question, though, that I think we're all hearing a lot about and that's the issue of rates in the individual market. What's interesting is, one of the things about the Affordable Care Act was the question of transparency. So that things have to be shown in the light of day because I think we actually believe that the light of day is an important market function, because that's how people get information.

So what happens is now, in each of your states, if any insurer is putting forward rates above 10 percent, they have to be made public, it has to be listed. During the review period, when your state and most of your states, not all, but most of your states review those rates. So that's what comes out and it causes a lot of the conversation that is happening right now.

The insurers have said that they believe the people that will be in the marketplace next year, and this is just the individual market, that it will be below 10 percent. We know that the rates that
originally come out usually come down. We know that
a number of states, I can actually look around. Some
of your rates are out. Governor [Dan] Malloy, you're
actually in a state where we are seeing very, very
good rates and downward pressure. So I think we need
to wait and see when they are finalized.

But I do want to say one other thing which
is, it's something we obviously spend a lot of time
on. You know the question of the cost and the rates
and the pressure. It's something we want to watch.
We want to make sure we're on top of so one of the
things I will just mention, as I look at the numbers
as we are a payer, in the out years in terms of the
costs in Medicare because it will probably we
reflective of what also happens in that market in my
conversations with CEOs and others, and there is some
pressure in the drug space in terms of upward
pressure and we can have some conversations about
that.

The one thing that would say is I think
there are a number of things. I think we think light
of day is important for that in terms of knowing what
drugs are costing and how much so that that's
something the public knows and understands. I think
the other thing, and we've asked for these
authorities in our budget, is for Medicare Part D,
can we have the authority to negotiate?

You know, as you mentioned, governor, I
spent time at Walmart. It's a place that negotiates
with its suppliers and uses the power of the market
to actually put downward pressure on price. So it's
something we're watching and want to keep an eye on.
We always keep an eye on. I think right now we're
watching, but I think what the conversation is isn't
reflective of the entire market or where this market
will end but want to be cautious as always. I just
mentioned that other issue a place I think we all
need to focus.

GOVERNOR HICKENLOOPER: Governor [Matthew] Mead and then
Governor [Gary] Herbert.

GOVERNOR MEAD: Madame Secretary, thank you
for being here. We certainly appreciate the year of
your service, you had great outreach to the states,
and your team worked carefully with Wyoming as we
were trying to expand Medicaid, which was a colossal
failure by the way. But they blame the governor, so
that's okay, so it wasn't on your part.

But anyway, secretary, I wanted to tell
you that as you look at health care in the states and
in the country, I think one of the challenges we face
in Wyoming is we are a very rural state.

Our challenges are somewhat different than
in the larger states. Just on economies of scale,
before the ACA we had 12 or 13 health
insurance companies in the state. We have two now
because some of the lifts were just too big. The
same is true on some of the systems necessary for
payment, for example, and we look to partner with
some other states and we think there's some
opportunities to do that.

So just a general question is that I think
that rural health care and rural states and within
our Native American populations, there are some
unique challenges, and we're working to find some of
those answers. But I would just encourage you and
your team to continue to recognize that there are
some differences between large metropolitan areas and healthcare at rural areas, just in terms of distances and how far you have to drive when your son has a broken arm, and those challenges.

It's not unique, it's not new. I mean, this has always been a challenge, but certainly for smaller populated states we continue to be very concerned about, we have some different challenges than large states.

SECRETARY BURWELL: Agree and recognize that there is a difference. Being from West Virginia, being from a state where we have a large rural population, it's something I understand and recognize. Certainly we don't have the geographic expanses. I look at some of the states around the table, like your own, but similar types of issues with regard to concentration and that sort of thing.

I think it's when I sit in my seat and we're doing rulemaking, the one thing hopefully you will be pleased to know is that now the Centers for Medicare and Medicaid know they cannot bring a single rule in for my review without telling me the impact
Because it is hard to figure out—or when the announcement that I talked about, the hip and knee bundling announcement, it's in 75 markets but for a market to be chosen, because it's mandatory, the market had to be of a certain size because you had to have enough of a population that you could actuarially spread what was doing.

So we had those specific conversations. The question of in rural America; how do we work to make sure in places where there is just not as much competition; that is one of the things. How we create working markets I think is a challenge but it is one we want to work with you all on. We want to think through how we can do that; and hopefully so you know, it is something, it's one of the things that they now have as a listed thing that they actually have to talk about when they come in, because I'm going to ask it so you may as well be prepared in terms of what is the impact on rural markets.

Because the markets are different, and how
we think about that is something we are just going to have to figure through as a nation. A nation that, we think about it in terms of markets but they are different and they're very regional and local. You all know that in terms of even within some of your states there is a difference in terms of what the market looks like.

GOVERNOR HICKENLOOPER: Great. Governor Herbert.

GOVERNOR HERBERT: Thank you, Madam Secretary. We're honored to have you here and I know that many of us are still having ongoing discussions with you and your department. I certainly want to express to you personally and to your staff of the professionalism that we have received. You have been very cordial and willing to listen to our issues and we thank you for that.

You said something that I was kind of taken with, and that is we have more in common than we have differences. I agree with that. I think that what was have in common is a very similar goal as Republicans and Democrats and states and
Washington D.C. to serve our people as best we can.
The goal in regards to health care is to make sure that as much as is practical or possible to provide health care, affordable, high quality healthcare to all Americans.

Where we sometimes have a difference is how you do that. The goal is the same but the process and the pathway that we follow is sometimes a little bit different, and that's part of the debate. You've talked about the need and the opportunity for us to have waivers or get more flexibility; and sometimes I think as we deal not specifically on this issue with you, it is like Burger King: You can't have it your way, you have to do it my way.

How do you determine when it comes to the healthcare issues, when you give waivers and you give flexibility, how do you determine how much leeway you will give to the states? How much will you let us try it our own way as opposed to having to do it--I don't want to say your way, but under the Affordable Care Act where there is flexibility. How do you determine where that line's going to be drawn to give
us the flexibility that we'd like to have as states?

SECRETARY BURWELL: So usually in making those
decisions and whether it's in this space or any of
the other spaces that one is working in terms of the
decisions that we make across a wide range of issues,
well beyond 1115 waivers, one turns generally to the
intent of the statute and the intent of the policy,
and this is about what the core issues are. With
regard to the specific issue in 1115, as we think
about what guides where those bright lines are, it is
often about affordability and access but that's what
the additional funding was about. It was about
creating a better match, more enhanced money for
states with, in return, providing broader access that
is affordable.

So that kind of gives you, but usually
when we think about these things what we are trying
to do is go to what is known as the core objective,
and generally speaking as we have the back and forth,
trying and find the places where we can be the most
flexible about those things; and then where it hits
up against some of the core principles, that is where
we come to our places. I think similarly for you all and I find that in all of my conversations with you in terms of you all, there are core principles that you have trouble moving beyond, even if I would like to do it a different way.

So what we try and do is find that space, because it isn't; that is a negotiation and that's what these each are. When I came in, actually, our colleagues you know, some of my colleagues, it would have been much easier at Medicaid if I just put lines, if I just put--and there are a couple of places where I think you all know some of our lines, but if I just like outlined it and made it “this is it” and then it's easier.

But I don't actually think that's what gets to our ability to listen and hear because you know what? I can look around this table and some of you have come in with innovative ideas that we haven't thought about. Things that like, hmm, I don't know if it will work but actually there is enough evidence and enough logic to indicate we should try it. So trying to create that space for
that is what we work to do.


GOVERNOR MCCRORY: Madam Secretary, thank you for your incredible access that you have to governors. I've enjoyed your visit and your cookies and lemonade at the executive mansion. I hope you enjoyed it.

SECRETARY BURWELL: Those are the ones I got to take home.

GOVERNOR MCCRORY: We had a good time. First of all, I want to congratulate you in your comments on your focus on mental health, and I include that on addiction, because I think that's one of the most serious issues our nation and our states are facing. As governors have found out, as I have found out in my two-and-a-half years, is the addiction and issue is ending up in our county prisons, in our emergency rooms, and in our state prisons. That's not the solution.

We have got to come up with a long-term partnership with the federal government, local
government and everyone involved to deal with this very, very serious crisis. In fact, we had a previous seminar talking about the drug problems that we're having with synthetic drugs and everything and it's getting worse.

So I commend you and we want to work in partnership to come up with a viable solution.

Two quick questions for you. One is, I would love to get more information on the consistency on Medicaid services across all states. We are having a debate within my own legislature at what level of service you get for Medicaid covering certain aspects of medicine. We're fairly liberal in that aspect in North Carolina, and of course I have some legislators who want to increase that, and other legislators that say we are covering too much; and I would be curious if you have any consistent benchmark across states in Medicaid coverage.

The second thing is, you've been nice enough to have Governor Herbert and I and the President, you had us visit with the President in the Oval Office and we had a very frank and a good
discussion on many things. One was about waivers and
one issue, I'm not sure if the lines moved at all if
we're attempting to look to see if there's waivers
that we can get for able-bodied people to require
work or training in order to have Medicaid expansion.
We did this in public housing when I was
Mayor of Charlotte which was very effective, and we
just want to know if there is any more flexibility or
is that the line drawn on that area. Again, I want
to congratulate you on your reaching out to us, and
an honest dialog.
SECRETARY BURWELL: So on that first question,
why don't we get back in terms of the benchmarks and
how different states, in terms of service levels. I
think that might be something we will get back to you
and your team directly on.
With regard to the question of work and
how we think about that particular issue with regard
to health, in terms of one of the things that I think
is an important thing that actually both sides agree
on quite a bit that was an important change, is that
preexisting conditions shouldn't keep you from an
ability to get health insurance. Again, maybe how
one gets to that, maybe, but I think that's an
agreement. The idea that health care is not a
conditional thing. Healthcare is different from a
number of other things, different from TANF. I think
you all know TANF Welfare is a program that is
operated out of the Department of Health and Human
Services, but that healthcare is actually different.

But having said that, I think we think
that there are incredibly strong ways because we're
with you on work. That's a place I think where we
would like to see; I mean it'd be great to have
people working, earning a wage that we didn't need,
but we'd just as soon have people in the market,
beyond. So the work idea and work concept I think we
have a number of places where we've worked with a
number of you all to get to a place that has
innovation, that drives this in a way that will bet
more people through your work training program than
you've ever seen.

So look forward to being able to have that
correspondence, because I think we think we can get to a
portion of what you want, which I think is you want work encouraged. I think that's at the core of your comment about that. So I think we think there are ways to do that.

GOVERNOR HICKENLOOPER: Governor Fallin? Governor Walker?

GOVERNOR FALLIN: Thank you, Secretary Burwell for coming once again to our meeting. It's always a pleasure to be able to listen and have a dialog with you, which we think's very important. I have to tell you, I think you have one of the toughest jobs in America. You certainly have had a tough job this past year so thank you for visiting with our governors.

A couple of things that I wanted to commend you on. One was when you were talking about paying for outcome versus volume of time someone sees a doctor. We are all about improving the health of our citizens and making sure that what we are doing is working versus just what we hope might work when we deliver various services, so thank you for that.

I was also interested in your comment
about trying to fast-track some of the waivers
themselves, and if I remember right, one of our
requests from many of our governors if not all of our
governors was that if we had a waiver that you had
already approved in the past, if you would consider
being able to continue that approval of that
waiver because you had already done it several times
before. So like in the State of Oklahoma, we have a
great program called Insure Oklahoma where we have a
three-way match of the Medicaid money.

The person paying a very small portion of
their insurance, the employer paying a portion of it
so there is buy-in from everybody on that coming back
to the question about working and paying, and you've
approved that for the third time, which I am grateful
for; but I think at one point in time many of us had
talked to you about if we have something that is
already working and innovative, can we just go ahead
and make that permanent versus every single year
trying to reapply for that?

So I just continue to ask for your
consideration of that particular issue. On the
opioid and the prescription drug abuse problem, we've had a great session that Governor McAuliffe and many others led us through today earlier, but one of the things we've done in Oklahoma is pass a prescription monitoring bill to help stop doctor-shopping in the state. It was hard to do.

It took me about three years to get that through because doctors didn't want to, some of them, didn't want to have to spend the time away from seeing their patients to check this and check that; but could we not do that like for Medicaid recipients that under federal guidelines and certainly under state guidelines I can do this: that if someone's on Medicaid and they're receiving pain pills, that you require doctors to check it every time before they give that Medicaid recipient continued addictive opioid? That might be just something to consider on that track.

The last thing I want to mention, we talk about rising costs of Medicaid and expenses to our state, which has always been a huge challenge for all of us. We're in one of those states that over the
last couple years we've seen our unemployment drop
really low. We've seen our per capita income go up,
but when our per capita income went up, our FMAP
funds went down and so we had a huge drop, it think
it was about $90 million in FMAPfunds,
but yet our costs went up $130 million
and then we grew our population by another 300 million
or 400 million people.
So we had more people coming into the
system, less money from the federal government
because our economy had changed, and so now we are
going through another economic downturn with the
energy sector, but yet we are still really short of
FMAT money. So just something to consider.
SECRETARY BURWELL: Thank you, and a wide
range so I won't touch on all of them; figuring out
how we work in terms of making the program encourage
movement to economic health and people being able to
be in the private system where possible is something
we want to continue to think about, which is part of
how the reductions in funding are about trying to get
people to move and encourage economic growth.
On the opioids I would just mention, the prescription drug monitoring plans, almost every state has one and in the conversations that I've had around the country with a number of you all, it just really is a very important enforcement tool and the ease of the tool, the ease of being able to use it, how quickly it's updated, and then the other thing and some of your states do it and some of them don't is, the relationship with other states because people border shop.

So that's another issue that we need to work on, and I think bringing folks together, because one of the things when you talk to physicians about how easy it is or not to use in terms of the system. If you're asking a doctor and you say "how many clicks?" when you're seeing a patient, you know you don't want to spend that time checking. So that's one of the things we're working on.

Your idea of how we can encourage and influence people with regard to our payment system, that's one we will look into in terms of what we can do, but I think we are going to need to get to the
space where physicians are trained. With most of the
physicians, when I ask and I won't ask in this room:
How much training did you actually receive in pain?
In terms of treating pain?
That's one of the issues and so we're
working very hard, and I think we had a representative
from the CDC as part of your panel because we need to
issue the new guidelines, but then we need to make
sure that people are trained in them. Because it's
about starting at that point and the physician and
then the tracking that you're talking about. We hope
we can make progress.
We heard a tragic story of a young woman
who had gotten her wisdom teeth taken out, took too
much of the prescription drug after her wisdom teeth,
became addicted. After only months, it became
cheaper, easier and better to use heroin. Just the
trajectory, the good news is it's four years that
she's been clean, right? Four years clean, but just
if we can stop that journey because there were many
other stops along the way in terms of what happens in
that picture.
It just, for the nation as you said
governor, we're just seeing it everywhere. It's not
geographic anymore. It's not socioeconomic. The
number of people that you all probably know whose
children have some of these issues. I'm sure
everybody in this room does and so, one we really
want to work on.

GOVERNOR HICKENLOOPER: Governor Walker and
then Governor [Jay] Nixon.

GOVERNOR WALKER: More of a comment than a
question. First of all, thank you Madam Secretary
for being here for the second time. I appreciated
your presentation in Washington in February and that
began a process with me. As you know, a week ago I
began the process for Alaska to become the 30th
state to accept Medicaid expansion, and I share
Governor Mead's concern about the, if you want to
talk about rural, we're pretty rural, too, and--

(Laughter.)

--our methods of getting to our, those that need
care don't always involve a road. In fact, it seldom
involves a road. We only have three roads. So we
have 110 airports. We have our
challenges.

I just wanted to thank you for your
passion in this area and then also for your staff and
your access. I know you're the person that gets it
done, but boy they're the ones that answer the calls
as well. I really appreciate that. We feel
sometimes a little bit removed from sort of
mainstream America, so to speak, and we are. We don't
reach out to a neighboring state across the line.

We've got Russia and Canada so there are
not a lot of options there; but we do feel when we
have a need, Washington has been helpful to us, very
much, so it's a process that I've begun. We have
45 days to get through before I can actually
sign it; but we appreciate your help getting us this
far and look forward to working with you over the
next at least 45 days and beyond. Thank you.

SECRETARY BURWELL: Thank you, and thanks for
your leadership on this issue, governor.

GOVERNOR HICKENLOOPER: Governor Nixon.

GOVERNOR NIXON: I'll stipulate to all of the
thankings. Well, you've really reached out and
worked very hard and we really appreciate it. Not
just you, you've sent that mentality through the
entirety of your department. And on behalf of all of
us we feel that at a lot of levels and we appreciate
it deeply. Hence, this feels a lot different than a
congressional hearing, I would imagine.

SECRETARY BURWELL: That's on Tuesday. That
will be on Tuesday. I have talked to actually a
number of the folks from your states yesterday and
prepared.

GOVERNOR NIXON: That being said, I mean we've
not yet succeeded in the important task of expanding
care to working Missourians at the 138 level. We're
working on that again. There is an old horse term
that is sometimes used, “to let the bridle out
sometimes you have to use the whip.”

On the whip side of this, as you look at
cost containment, looking forward, you have some
triggers that are difficult for states and difficult
for hospitals and everything else that are built into
the Affordable Care Act, whether it's on
reimbursements for Medicare, equaling out payments or the disproportionate share.

Give us a little sense how much pressure you are under budgetarily to use those tools, while being very politic in your comments here in front of all of us and the cameras. Because literally I think that some of the folks don't think that's going to happen. Whether it's you or a year or two years from now, that is going to happen; and it can cause the delay of those instead of having it smooth in can cause a kind of a cataclysmic effect in states that don't move forward in a timely fashion. Because if that becomes a cliff instead of a slide, especially disproportionate share payments, it has a very cataclysmic effect in rural areas and other underserved areas.

SECRETARY BURWELL: So my ability to predict on this one, because I think it involves two things that I probably don't have a lot of say in. One is one year, five months, about 10, 15 days is all that I will be here and so most of the decisions you're talking about will be at a period where I will
no longer be here. And the other thing I would just say is that you know that Congress has engaged on these issues.

I think part of the way to, so that's in my ability to predict--limited, so I'm not even--where I don't know, you know, I think you all know I tell you, so I'm not going to predict. I think the one thing is we think about all of it as a nation because I think we should be focused on these.

GOVERNOR NIXON: It is an executive branch decision as you present the budget whether you are going to move forward on that or not. It's not a congressional, it is a congressional decision whether to adopt it.

SECRETARY BURWELL: No, to turn it off and to date it has been turned off, and so when the Congress has previously taken action.

GOVERNOR NIXON: Take an action to extend.

SECRETARY BURWELL: To extend.

GOVERNOR NIXON: Right.

SECRETARY BURWELL: Right. And so the question of whether they will do that again is just
something that I'm not going to get.

GOVERNOR NIXON: The question really is, and
you don't have to answer it here obviously, but the
question is whether the administration is going to ask
them to continue to extend in a budget document
presented to the Congress this year or not?

SECRETARY BURWELL: So with regard to where we
are going to be in the budget? I actually will be
reviewing our mandatory proposals in the next coming
months so with regard to where we are going to be on
that.

But I think the broader issue of how we
think about the issues of cost containment, why those
provisions were put in is because that it was thought
that it would be more cost effective to pay for
uncompensated care and indigent care through a
systemic approach in the states, instead of the way
that we were doing it.

I think there are a number of tools that
exist some of them, DSH, you've mentioned a number of
them. There are a number of states in the room that
have low-income pools. I had a very public
conversation with one of your colleagues in Florida about these issues; and so that I think is, why it was put in place is about how can we most cost-effectively help low-income people have access and those were the decisions about it. How that plays out in the current environment is something that we have to evaluate as we go through it.

GOVERNOR HICKENLOOPER: Governor [Steve] Beshear?

GOVERNOR BESHEAR: Thank you. You know the experience in Kentucky could be enlightening I think on a couple of these issues. Competition. Before we fully implemented the Affordable Care Act and expanded Medicaid we had two companies in the state that would sell health insurance. We now have five, and that obviously is encouraging to us because we've been working for 20 years, 30 years trying to get other companies to come in, and we just had no success in it, and now we have that kind of competition.

Second thing regards rural healthcare because we're a state of about 4.4 million people. A lot of our folks live in rural areas, and we
particularly have always had issues with rural healthcare, with rural hospitals and how they can stay open as the demographics change. And we have gone and our hospitals as a whole had gone from about 25 percent uncompensated care to about 5 percent.

Our rural hospitals, our small rural hospitals have particularly benefited from this because for the first time in their memories and in mine, they're in the black. Their bottom line is actually in the black because they are getting paid for the care that they're delivering. Now there's still a lot of problems with rural healthcare and we're going to continue to juggle those, but at least from a revenue standpoint, having expanded Medicaid has been a boon to our providers in terms of getting more money into their pockets.

It's been a boon to our economy and that you know before we did it we got Price Waterhouse Cooper to come in and project what was going to happen and whether we could afford it down the road. And they projected that over eight years we'd create
about 17,000 new jobs and have about
$15 billion infused into our economy.

Well, we implemented based on that and
after the first year I said “let's go take another
look” because now we've got actual numbers, at least
one year of hard numbers. So I got Deloitte
Consulting to go back in and take a look at our first
year. Well, they came back and said “well, we're
sorry to tell you that Price Waterhouse Cooper was
wrong. They told you that you were going to create
17,000 jobs in eight years, you've
actually already created 12,000 jobs in the
first year, in the healthcare area. It looks like
you're going to infuse about $40 billion
into your economy over the next eight years instead
of the 15 billion.”

So for my friends who are concerned that
number one, the federal government may back up at
some point and not do their part or that these
numbers at some point may change and we can't afford
it. You know, my message would be this: You can
stop. The court case says anytime we want to, we can
stop. So if any one of those things happen, you can
say “we can't do it anymore because we can't afford
it” and in between now and if that ever happens, a
whole lot of people, 400,000 people in
Kentucky are now having healthcare coverage, most of
them for the first time in their lives.
So if you can get past, and I know a lot
of legislatures have trouble just because of the name
of the act, but if you can get past that kind of
politics, this is a win/win for both your people and
your economy.
Because you're going to create a lot of
jobs and put a lot of money into your economy in
addition to improving the lives of all of these
people. Our screenings for cervical cancer, breast
cancer, diabetes, you name it, have gone just like
this because for the first time these people can get
these screenings. And what that's going to do is
it's going to cut down on the big costs down the
road, because when they weren't getting the
screenings the first time we would see them is when
they'd end up in the emergency room or they ended up
in in-patient stays in the hospital.

Now, we're able to work with these people
to teach them how to take care of themselves and to
take responsibility for themselves. That's part of
this deal is that your citizens need to learn how to
do this, and they really want to know how to do it.
That's what we're finding. So if there are ways that
you can massage things around and get to this point,
it's going to be a big benefit to the folks in your
state. Thank you very much.

SECRETARY BURWELL: Thank you.

GOVERNOR McAULIFFE: Steve, you want to come
up to Virginia for a couple days?

GOVERNOR BESHEAR: *(Laughs.*) I could use that.

GOVERNOR HICKENLOOPER: All right, I think
we've almost worn out the secretary. I didn't see
any more questions.

On behalf of the entire organization I
want to express our gratitude for all of your
engagement with all of us over these past couple
years, we really, really appreciate it.

*(Applause.)*
SECRETARY BURWELL: Thank you very much, and I will look forward to working with you all this year on a range of issues that I hope will not—actually, I'm looking around this table and I didn't have to call any of you all about Ebola. Some other issues and I hope that we will have a good year, moving the ball forward on the many, many places that we overlap and the many places that we fund.

We want to hear from you. We want to know when we are getting it right and we are getting it wrong. As I said, I believe we have much, much bigger spaces of common ground than we do of places of disagreement. There will be some of those and I know that. But I think we can work on a lot of areas where we can move the ball forward. So thank you all very much and thanks for having me again.

GOVERNOR HICKENLOOPER: The bottom line is that Governor Tomblin has set a very high standard for this summer meeting, but as governors we know that that's just a standard now set very high that needs to be beaten. So with that, we are going to ask
Governor [Terry] Branstad to give us a little picture of what we can look forward to next summer in Iowa.

GOVERNOR BRANSTAD: First of all Governor Hickenlooper, I want to thank you for your leadership. Delivering Results: I think it gives us a great toolkit on how we could do a better job in each of our states, so thank you for your leadership.

I want to thank Governor Tomblin for—and this happens to be my 50th state, so I had never been to West Virginia; been to all the other 49 and we've got the whole family here and we are having a great time.

If you saw my grandchildren out there dancing last night—we are looking forward to hosting the summer meeting of the National Governors Association in Des Moines, Iowa, our capital city, which is a surprising place. A lot of great things going on there July 14th through the 17th. I have been to 20 NGA Summer meetings. This will be the first opportunity for me to host it.

Governor [Tom] Vilsack hosted it in 2005, but we're looking forward to having you there. My whole
family is involved in the planning, so we want you
bring your children and grandchildren; my children
and grandchildren have gone to the last three in
Milwaukee, Nashville, and here in West Virginia, and
we think it's just been a great experience. So we
want to make it a very family-friendly thing and
we're going to have events.

We'll have a special governors-only,
governors and spouses dinner at Terrace Hill, our
historic governor's residence. We're going to have
an event at the Norman Borlaug World Food Prize Hall
of Laureates, which is a beautiful building, a
restored library in Des Moines. We will have an
event at the Iowa State Fair. We have a beautiful
historic fairgrounds, and so there are going to be a
lot of fun things to do so mark your calendars July
14th through the 17th for the 2016 NGA meeting.

By the way, we have kind of a sweet tooth
in Iowa so we have this chocolate covered bacon and
Bing cherry from the Palmer Candy Company in Sioux
City, but there will be a lot more sweet things in
Iowa to enjoy when you come next year. Thank you all
very much.

(Applause.)

GOVERNOR HICKENLOOPER: Thank you, Terry. I'm sure we all look forward to it. Little known fact, for certainly most of you are too young, but my great uncle was the lieutenant governor, the governor, and then the senator from Iowa for 24 years.

GOVERNOR BRANSTAD: Burke B. Hickenlooper, absolutely.

GOVERNOR HICKENLOOPER: So we are going back and actually I one time started a brew pub in Des Moines, so I know Des Moines very well and I guarantee you we are going to have a great time, absolutely great time. I want to thank again, Governor and Mrs. Tomblin, what a great host you have both been, great hosts you have been.

What a place. You know between these afternoon sessions there was 30 minutes so I snuck down and bowled a game down in the basement. I don't know if you guys have had a chance to go down there but there are I think eight lanes. I bowled a game with my 13-year-old son Teddy. Actually it
didn't go so well for me but this place, there is new things to find and I honestly can envision coming back here at some point and bringing friends and family.

Maybe we will do a cabinet retreat. It's a little bit of a long stretch, but I also want to thank all of your staff and your volunteers because I know how hard they worked. I think we should all give the Governor Tomblin staff a big hand.

(Applause.)

GOVERNOR TOMBLIN: Mr. Chairman. First of all I just want to say to Governor Branstad, I'm so pleased that he saved the best state until last to visit so we are very pleased to have you and your family here but on behalf of all West Virginians, we are just so pleased that you came to West Virginia. I know for many of you it was your first time here. We certainly hope you enjoyed it. We hope you found the hospitality to be to your expectations, and we'd love to have you stay a few more days or come back and see us again, so thank you all so much for coming.
(Applause.)

GOVERNOR HICKENLOOPER: So this is my last meeting as Chair. I know that's a relief to some of you. Trying to drive those schedules. It has been a great honor to chair this organization. We've accomplished a lot this year and I've been happy to be a part of it. Probably the best part of the whole process for me is getting to deepen my relationships with so many of you.

You know Governor Markell and Governor Fallin act as kind of my mentors on this. Governor Herbert has been an active partner. A couple of times I wasn't sure whether I was the chair or he was; but that's just because of his natural talent, like cream, rises to the surface.

I think that, you know, getting also to know our sponsors and corporate partners and building those relationships and recognizing that for so many of these companies it is not about Republican or Democrat. They are trying to solve problems and find solutions to make their business grow but also to make the lives of our citizens better.
I think NGA does a great job of threading that needle to make sure that we are all working in concert and not at odds with each other and yet at the same time respecting the importance of competition and the productive sides of capitalism.

I think NGA is a remarkable organization. It has a dedicated staff, and I want to take just a brief second to thank Dan Crippin. You all know that Dan Crippin, this is his last summer meeting. He is going to stay with us through the end of the year. Some of us have already started talking about what kind of appropriate gift we could give him. He came in when this organization was not in great shape and he has really given his heart and soul.

You know, a lot of people don't realize he is South Dakota born and bred, born and educated I should say; and even though he worked as a Domestic Policy Advisor to President [Ronald] Reagan, was Director of the Congressional Budget Office under President George Bush, but throughout his career before he came to the National Governors Association, he was always known as someone
who listened and really was moderate in his approach and able to create compromise and find solutions in some of those challenging situations.

He also was well-known--and we've seen this again and again--or his judgment, his wisdom you could say. I certainly got to make use of that over the past year. Back when as early as 1998 and 1999 he was calling for more technology and health care and delegating more services to nurses and other hospital staff as a way of controlling costs; studying Medicaid in depth to try and find those places where you could find the greatest savings.

He was a relentless champion of investing in research and science. A great supporter of the space programs and the original GPS programs. I think when he took over NGA in 2011, he took a lot of that experience and brought it to the table. I'm not sure where Dan is, but why don't you please stand up.

(Standing.)

(Applause.)

GOVERNOR HICKENLOOPER: And it is an unruly group and even just trying to make sure the questions
get asked in order. It's a little like being an auctioneer. Sometimes you know, you've got a little flick in your eye or something like that and say you've got a question. I have to restrain myself and make sure I get confirmation of that squint or the wiggling of the eyebrow.

I also want to thank all the NGA staff for all that they've done, not just for this conference but for, you know, throughout the year. The bipartisan expert advice, the wise counsel, the technical assistance for our state governments and for really putting together all these meetings and there are, obviously as you know, dozens and dozens. You know, the getting to know them has been almost as good as getting to know all of you. Certainly I think when I talk to most governors, certainly when we have conversations later in the evening, it's the relationships that we have with our constituents and our staffs, the groups that we work with that really make these jobs so enriching. It's nice to be able to nudge the universe a little bit from time to time, but having these relationships
really makes it easier and better.

Now for our two closing administrative acts, we have two policy items before us that require a vote. First the Governors of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands got together at our February meeting to discuss policy issues that were unique to them and as a result of that meeting they made a request that NGA's permanent policy made clear, the Association speaks for all the States, Commonwealths and Territories.

Second, we have an immigration policy that's been reviewed. We've discussed it a couple of times. Discussed it again going back and forth with staff. I think it's ready for consideration. Now, since we are taking the stuff up in our summer session we have a two-step process. First, we are going to suspend the rules, and then the second we will do the passage.

So first I need a motion to suspend the rules and consider these policies.

(Moved and seconded.)
GOVERNOR HICKENLOOPER: All in favor, say “aye”.

(Chorus of ayes.)

All opposed say “nay”.

(No audible response.)

GOVERNOR HICKENLOOPER: Okay, that motion is approved.

So first can we have a motion on the permanent policy that the Association speaks for all states, commonwealths and territories. All in favor say “aye”.

GOVERNOR MEAD: Mr. Chairman, just--

GOVERNOR HICKENLOOPER: Oh, I have to get a motion, right?

GOVERNOR MEAD: I'm sorry, but first before the motion, just a question on the language. I'm not sure and maybe you've tracked this; the language's balanced relationship between the states and U.S. possessions, herein referred to as States. And I guess a question for you, Mr. Chairman is, are states then possessions? Is that a legal term?

Because it looks like it says for
hereinafter possessions are referred to as states and states are possessions, synonymous. So if the intent of the preamble, the change in the preamble is to have the governors of the territories and the Commonwealth of Puerto Rico represented on the same level as the states, I see the worth in that.

    If it means to call states possessions, I wonder if there is legal ramifications or certainly symbolic ramifications of that, or if it's a move to sort of formally add the commonwealths and the territories as new stars on the flag, I guess I need to know that.

    Probably everybody's ahead of me on this language, but I think the better language would be 'between the states, the territories and the Commonwealth of Puerto Rico' to avoid this possessions question. Because I'm just not sure if that's a term of art that we're not familiar with. So that would be my only ... I think there's a way to say it, to add them; I think it's very appropriate the Commonwealth of Puerto Rico and the territories have that same balanced relationship. They are part
of this organization and we want to represent them,
but if its intent is to be beyond that, this title of
possessions, I'm just not sure about it.

GOVERNOR HICKENLOOPER: How many lawyers do we
have around here?

(Laughter.)

GOVERNOR HICKENLOOPER: That's a joke. I am
not a lawyer, so I am the wrong person to ask. I
think we all agree what we want it to say.

GOVERNOR [Rick] SNYDER: It's hard to disagree with
him.

GOVERNOR HICKENLOOPER: Right, I have no
problem with it. How to? David?

(Side remark.)

GOVERNOR HICKENLOOPER: Great, so if we could
amend to that.

GOVERNOR MEAD: I would ask that it be written
so that the last sentence states: "It's vital that
the National Governors Association works to preserve
and promote a balanced relationship between the
States, the Territories, and the Commonwealth of
Puerto Rico and the Federal Government."
GOVERNOR HICKENLOOPER: Perfect.

AUDIENCE: Second.

GOVERNOR HICKENLOOPER: All in favor say “aye”.

(Chorus of ayes.)

GOVERNOR HICKENLOOPER: All against say “nay”.

(No audible response.)

GOVERNOR HICKENLOOPER: Okay, now can I have a motion on the immigration proposal?

GOVERNOR HERBERT: Let’s make sure we got it right. You just approved the amendment.

GOVERNOR HICKENLOOPER: Oh, we amended it, right. Thank God you’re here.

So the amendment is approved. Can we now have a motion to approve? Can we have a motion to approve the preamble as amended.

AUDIENCE: So moved.

GOVERNOR HICKENLOOPER: All in favor say “aye”.

(Chorus of ayes.)

GOVERNOR HICKENLOOPER: All opposed say “nay”.

(No audible response.)
GOVERNOR HICKENLOOPER: The motion is approved.

Okay, now can we have a motion to approve the policy on immigration?

All in favor say “aye”.

(Chorus of ayes.)

GOVERNOR HICKENLOOPER: All opposed say “nay”.

(One 'nay'.)

GOVERNOR HICKENLOOPER: We had a long discussion and understand and appreciate.

GOVERNOR WALKER: We did, and I appreciate it. I had a discussion with Governor Herbert and Governor Hickenlooper, and I just think that the importance of border security is understated on the document and therefore I vote no.

GOVERNOR HICKENLOOPER: All right, so that passes.

Now it is the time to call on the chair of the nominating committee, Governor Fallin, to report on the decisions of the committee and to nominate next year's leaders of the National Governors Association.
GOVERNOR FALLIN: Thank you, Mr. Chairman, and I would also would like to thank Governor Tomblin for hosting this great meeting. Thank you so much for you and your staff, making such wonderful accommodations and we really enjoyed it.

And thank you Governor Hickenlooper for your chairmanship and thank you for another great initiative on delivering results. We appreciate your time. We know it's a lot of work to be chairman of this organization. So thank you for your great service. We appreciate it.

It's my privilege to announce the slate of nominees for the 2015-2016 NGA Executive Committee and move for their consideration en bloc, and I would like to announce those nominees for Executive Committee.

From Connecticut, Governor Dan Malloy; from Iowa, Governor Terry Branstad; from Minnesota, Governor Mark Dayton; from Nevada, Governor Brian Sandoval; from North Carolina, Governor Pat McCrory; from Vermont, Governor Pete Shumlin; from Colorado
and soon to be our former chairman in a few moments, Governor John Hickenlooper; our new vice chair will be Virginia Governor Terry McAuliffe; and our 2015-2016 new chair nominee, Governor of Utah Gary Herbert. And I make that motion.

GOVERNOR HICKENLOOPER: Great. The motion, we have a second?

AUDIENCE: Second.

GOVERNOR HICKENLOOPER: All in favor say “aye”.

(Chorus of ayes.)

GOVERNOR HICKENLOOPER: All opposed, say “nay”.

(No audible response.)

GOVERNOR HICKENLOOPER: The “ayes” have it.

Robert Rules of Order, when I was running restaurants they didn't give us a lot--pretty much we got to tell people what to do.

(Laughter.)

GOVERNOR HICKENLOOPER: Now it is my honor to, with a light heart and a skip in my step, to be able to turn over the gavel for this incredible
organization to the governor of the great State of Utah, Gary Herbert.

(Applause.)

GOVERNOR HERBERT: Well, thank you Governor Hickenlooper, and my friend John and thanks to the wisdom of the nominating committee. I think we've got a great slate here.

Let me just again say thanks to Governor Hickenlooper. I think all of us appreciated his leadership and certainly his sense of humor, sometimes questionable--but his attempt at humor has always been appreciated by me.

He has a great demeanor and has certainly been a leader to bring us together on many issues and some issues that we were reluctant to tackle. Immigration today, for example. The fact we had a good discussion on this I think is a tribute to the leadership of Governor Hickenlooper.

I can tell you, I've worked with John for a long time and frankly I like the guy. No accounting for taste sometimes, but John has done a great job, so as a token of our esteem let me just
present to you the symbol of your leadership, and
that is a gavel which we will present to you right
here. It is engraved in the front. We hope you will
put that in your office and show it with some pride
of your leadership of this great organization.
Congratulations.

(Presentation.) (Applause.)

GOVERNOR HICKENLOOPER: I'll do it.

GOVERNOR HERBERT: Now you'll have a little
more time to work on your bowling.

(Laughter.)

GOVERNOR HERBERT: So you can take on Teddy.

Let me just say too, again, I am a big believer in
this organization. I believe in you. I believe in
the states. I believe in what you represent. I am
excited about the opportunity we have before us and
whatever challenging times. I am excited to have
Governor McAuliffe as my Vice Chairman, as we commit
to you that we will do the best we can to in fact
take wherever NGA is today and raise the bar.

Again, I think we have opportunities to do
some wonderful things. You know, great minds do kind
of think alike, and Governor Hickenlooper's
initiative on delivering results and teaching us all
that there are better ways to do things so we can
find efficiencies in our state governments and
represent our taxpayers better and solve issues and
problems better than what we have done in the past.
In fact, I recommend to the NGA staff the
documents that have been prepared ought to be
required reading for all the new governors that come
in. Because it's a great place to start as you come
in and say what can we do to find more efficiencies
in our state government?
So again, in that same regard I am taking
a page out of Governor Hickenlooper's book and saying
to us all that we need to raise the bar and move
forward in challenging times. We've had some
discussions in the past about some of the challenges
we face as states. I enjoy coming together and
listening to how you are addressing your unique
problems and challenges and finding solutions.
In that regard, I was reminded of James
Madison's comments, which you probably all know from
Federalist 45, which I know, Jay, is on your night stand, that you review each and every night before you go to bed and say your prayers.

It read this way: The powers delegated by the proposed constitution of the federal government are few and defined. Those which are to remain in the state governments are numerous and indefinite.

Again, the argument at the time of ratification was: don't worry, states, about the growth of the federal government or be too onerous or overrun your responsibilities. The concept of federalism was born in our constitution, the shared responsibilities that we have.

I think it's an opportunity for us in fact to reaffirm that shared responsibility as states and show by example the fact that the states are in fact succeeding.

Governor Hickenlooper sounded the message that our states are leading this nation forward. I want to echo that clarion call to the states to step forward.

Sometimes we see partisanship and we've
always had probably partisanship in politics since the inception of our country. There is a role for partisanship to play, and we all campaign as partisans in some form or fashion. But what's good about this organization is the ability to come together in the governance aspect and share best practices, to network, to learn from each other and go back and become better governors and represent the people who have elected us to office in a much more effective way.

Again, that's a bipartisan learning experience which I know has made me a better governor in Utah, thanks to you and your willingness to share your experiences. We had a pollster this morning who spoke to us and said in describing governors in states “You governors are the problem solvers of the nation.” I think that's true.

Again, I think we have many examples of challenges, that you are solving the problems, you are solving your respective states which we share here at NGA. So, it may come as no surprise to you as I choose my own initiative here as far as what
I think we should kind of rally around. I believe that the real action is happening at the state level. Your great examples of leadership in your respective states and you've implemented some of the most innovative and creative solutions to challenges we face around the state that we are all trying to emulate and learn more about and copy in our respective states.

So I've chosen to focus my 2015-2016 National Governors Association Chair's Initiative on the states. And my title is States—Finding Solutions, Improving Lives. This is a desire to really highlight what you're doing. So to that end, as we look around, I mean, pick a topic. It could be education, it could be economic development, it could be transportation, healthcare.

We talked a little bit about the Affordable Care Act and how it impacts our respective states in different ways because of different cultures and different health care needs that we have in our respective states.

Public safety, how we work with our
national guards. All these issues are being highlighted by solutions that you're leading forward on. So, I've got a pocket card. Is somebody going to pass those out? We've got it on the screen. That's even better. But you will all be given a card like this with a handsome guy on the front. My college picture there.

(Laughter.)

Anyway, what I did when I came in as governor, I actually created the goals and the mission statement for the State of Utah under the Herbert Administration and I require my staff people to carry this around with them at all times so that we are concentrating and focusing on what we think the goals and aspirations of the state should be.

Well, to that same extent, I am going to give you a card so you can hold me accountable as we go out there and work together on States--Finding Solutions, Improving Lives.

There's the missions and the objectives there.

Really, to find real solutions, just look to the real innovators. States are laboratories of democracy.
My initiative will showcase those breakthroughs.

And so to that extent, by the way, there is a quote on Federalist 45 on the back there, Jay, so you've got that handy—we are going to work with you and really take the opportunity to have you and your respective states tell us what are the issues that you are proud of? What are the solutions you have provided? What are some of the problems you have solved?

We are going to highlight that and kind of push it out to the public so that they understand. The public needs to have an increased awareness of the successes of the states and the successes brought about by the leadership of the respective governors about this great land. Fifty states and five territories, Commonwealth of Puerto Rico, and the successes that are happening there.

We are going to enhance in this process hopefully our collaborative state-federal partnership. Again bring back and understand the shared responsibilities we have working as copartners with the federal government and making sure that they
don't overshadow us and that we show them in fact
some of the innovative ways we are solving problems,
to highlight these state solutions and to share best
practice, as we are good at doing here.

Over the next year we will examine the
solutions that you have found in your states, and we
are going to look for ways to apply those lessons as
we share best practices with each other so that we
can in fact learn from each other and go back and be
better governors. I expect that in this process we
will be meeting with many experts around the country,
some from your states that will help us learn how you
found innovative ways to solve problems and showcase
those successes.

We would like to put those at the end of
the year as we have highlighted the two or three of
the best that you have in your states in a
publication which will have all the 50 states and
the five territories to really highlight what you've
been able to accomplish and what you are
accomplishing.

Again, we will highlight the successes and
I think we will increase the awareness of the American public on where the real work is being done and accomplished in a very significant way. We have the opportunity to be more nimble. We have the ability to address; we are closer to the people in our respective backyards to solve these problems and really fits in the moniker that was told to us earlier today of being problem solvers.

So my message, with all of your help, is from NGA, for our National Governors Association, this is a very effective organization for all of us is to the people of America: Look to the states. Look to the states for the solutions. We have probably put too much demand on the folks in Washington D.C., which is really hard for them to deliver. But the states are the ones that are solving problems. So look to the states, look to the governors for the solutions to the issues of the day. I think you won't be disappointed. They are the leaders, not only of today but the leaders of tomorrow.

So thank you very much. I am honored to
be your chairman for this next 12 month period.

Thank you.

(Applause.)

GOVERNOR HERBERT: With that, I understand our bylaws require a gavel and I know, John you didn't remember if you gaveled us in? My job is to gavel us out, and then we will be officially done until our next meeting is coming up. Looking forward to working with you, Terry. It's going to be a great 12 months. Thank you very much. We will stand adjourned.

(Whereupon, at 4:50 p.m., the closing session concluded.)