

1 NATIONAL GOVERNORS ASSOCIATION

2 Summer Meeting

3 July 24, 2015

4

5 The Greenbrier

6 Colonial Hall

7 300 W Main Street

8 White Sulphur Springs, WV

9

10 Opening Session

11 Governor John Hickenlooper, Colorado, Chair

12 Governor Gary Herbert, Utah, Vice Chair

13 Guest: Peter Hutchinson, Managing Director,

14 Accenture Public Services Strategy

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1 P R O C E E D I N G S

2 (12:45 p.m.)

3 GOVERNOR [John] HICKENLOOPER: Governors,
4 distinguished guests, I call to order the 107th
5 Summer Meeting of the National Governors Association.
6 As you guys all know, we have a full agenda over the
7 next two and a half days; following this session we
8 will have the Economic Development and Commerce
9 Committee and the Natural Resources Committee discuss
10 strategies for tourism as well as economic
11 development.

12 Saturday's business agenda begins with a
13 joint session of the Health and Human Services
14 Committee and the Homeland Security and Public Safety
15 Committee to talk about, among other issues, the
16 nation's opioid crisis.

17 Saturday afternoon, our Education
18 Workforce Committee will examine career pathways
19 where we will be joined by Secretary [Thomas] Perez, and we
20 will close with a session on health care
21 transformation and we will be joined by Secretary
22 [Sylvia Mathews] Burwell. I think all of us look forward

1 to all of these discussions.

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

7 *(Standing.)*

8 *(Applause.)*

9 We also have a delegation from Canada. I'm not
10 sure where they are.

11 There they are. *(Standing, waving.)*

12 *(Applause.)*

13 GOVERNOR HICKENLOOPER: Welcome. Thank you.

14 As well as a delegation from Mexico.

15 *(Standing.)*

16 *(Applause.)*

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

22 I would also like to recognize our guests

1 from the White House, the Office of Intergovernmental
2 Affairs, Jerry Abramson and Adrian Saenz.

3 **(Applause.)**

4 GOVERNOR HICKENLOOPER: Where are you guys?
5 Thank you for being here. Thanks, Jerry.

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

8 **(Moved and seconded.)**

9 GOVERNOR HICKENLOOPER: All in favor say
10 'aye'.

11 **(Chorus of ayes.)**

12 GOVERNOR HICKENLOOPER: All opposed say 'nay'.

13 **(No response.)**

14 GOVERNOR HICKENLOOPER: Motion is approved.

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

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

1 Committee: Governor [Rick] Snyder, Governor [Bill] Walker,
2 Governor [Maggie] Hassan, Governor [Jack] Markell, and Governor
3 [Mary] Fallin who will serve as Chair.

4 Please give them a round of appreciation
5 for their service.

6 **(Applause.)**

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

14 Governor Earl Ray Tomblin.

15 **(Applause.)**

16 GOVERNOR TOMBLIN: Thank you very much, Mr.
17 Chairman. It's indeed my pleasure to welcome all of
18 you to West Virginia. I know several of you have
19 heard this before, but we are so honored to have you
20 here in West Virginia. It's been a total of
21 sixty-five years since West Virginia has hosted
22 NGA and I think it's about time, and we hope that you

1 are finding your accommodations here at the
2 Greenbrier up to standards. We're doing our best to
3 make you as comfortable as possible.

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

12 **(Applause.)**

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

20 Unfortunately, Louisiana Governor Bobby
21 Jindal could not be with us for his final NGA Summer
22 Meeting. Certainly we wish him well for his final

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

9 Now, let's take a moment to honor Kentucky
10 Governor Steve Beshear. Steve has served the
11 Commonwealth of Kentucky as governor since December
12 of 2007. During this time in office, Governor
13 Beshear has focused on initiatives to help Kentucky
14 families particularly in the areas of health and
15 healthcare, education and economic development. In
16 2012, Governor Beshear signed landmark legislation to
17 curb prescription drug abuse, and for the first time
18 in a decade the number of Kentucky deaths blamed on
19 prescription overdoses has declined.

20 His education initiatives span from early
21 childhood and kindergarten to college and career
22 readiness. Governor Beshear brought Kentucky

1 successfully through one of the worst recessions in
2 history. Since July 2009 nearly \$9 billion
3 has been invested in new economic development, and
4 more than 52,000 jobs have been created
5 or retained in the Commonwealth.

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

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

19 Please join me in thanking Governor
20 Beshear for his exemplary dedication and leadership.
21 NGA offers the very best of wishes to you and your
22 entire family.

1 **(Applause.)**

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

15 Now, one of the privileges of being the
16 Chair of NGA is the ability to choose a Chair's
17 Initiative. You all know that I chose to focus on
18 *Delivering Results.*" This initiative has been about
19 improving the effectiveness of government and getting
20 results in a way that better responds to the various
21 needs of the people of our states.

22

1 Today's state government touches so many
2 aspects of people's lives, its scale and scope is
3 wider and certainly more complex than it's ever been
4 in the past, so it's more than ever important to
5 ensure that the state government effectively spends
6 the tax dollars it collects and judiciously uses its
7 power to regulate to deliver on its promises.

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

16 *Delivering Results* is focused on improving
17 the efficiency and the effectiveness of some of the
18 core functions of state government. Throughout the
19 initiative we are focused on how governors can
20 recruit and hire the best and the brightest leaders
21 to work in state government. I think that came clear
22 during this last year--that includes bringing

1 people in from the private sector, from foundations
2 and universities, from local government; but creating
3 a team of the best and the brightest.

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

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

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

22 In Colorado we look for talent across

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

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

18 In Colorado we implemented an initiative
19 called Pits and Peeves, which focuses and continues to
20 focus on making it easier to work with the state.
21 Immediately after taking office in 2011, my staff and
22 I traveled around the state, asked communities and

1 business leaders in almost every county:
2 What can we do to help expand business, to help our
3 business development be created more rapidly? Part
4 of that was again and again we heard: Get rid of
5 unnecessary rules. Begin to cut the red tape.

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

15 Finally, good government requires holding
16 ourselves accountable and applying what we learn so
17 that we can improve how government does provide
18 services and now government does its business.
19 Today we enjoy the advantage of masses of data and
20 technologies that can allow us and help us to do just
21 that. Increasingly, state governments are focused on
22 innovation-led improvement. Innovation, when you

1 step back and look at it, it just means doing things
2 in a new way. That's the--I think--the simplest
3 definition of innovation.

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

15 States around the country are all working
16 to improve government. To identify how our fellow
17 governors in their other states are increasing the
18 efficiency and effectiveness of state government, we
19 engaged in a variety of activities over the past year
20 to bring in those best practices and those good ideas
21 from all of your states. We held three roundtables
22 last fall with state and national experts in how

1 state government functions, the private sector, and
2 academia to learn about best practices underway
3 across the country.

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

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

17 We learned that many governors are
18 adopting innovative practices used by businesses,
19 universities, and others to deliver better results to
20 people. For example, governors are rethinking
21 recruitment and onboarding processes for agency
22 leaders, creating processes to review and streamline

1 regulations using performance data and evidence, from
2 research to inform budgets, implementing lean process
3 improvement efforts statewide as well as in agencies,
4 and using geographic data to understand problems and
5 prioritize investments.

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

21 First is to set a vision and focus on
22 outcomes. I can't overemphasize that. Sometimes we

1 take it for granted that our vision from our campaign
2 is going to be the state's vision. Not always the
3 case. The governor's engagement is essential in
4 creating a system to deliver results and deliver on
5 that vision. Governors lead this effort by
6 establishing vision, establishing goals, establishing
7 outcomes for the state and bringing together all the
8 relevant stakeholders who play a role in achieving
9 those goals. If you don't have buy-in towards that
10 vision, it will never be successful.

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

20 Third, communicate the results. To
21 highlight successful accomplishments, governors can
22 celebrate successes with staff and make sure that the

1 results are shared with the public. When governors
2 talk about the results they have achieved, they
3 should consider making those results personal and
4 human, making sure that you're telling stories,
5 sharing narratives and using visuals.

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

12 **(Laughter.)**

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

21 Lastly, a flash drive filled with tools and resources
22 from the private and public sectors that can aid you in

1 your efforts to deliver better results to the
2 residents of your state. I could not have asked for
3 anything more.

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

6 **(Laughter.)**

7 GOVERNOR HICKENLOOPER: More than grateful.
8 Before I conclude, I would be remiss if I did not
9 thank the companies and foundations that supported
10 this effort. Specifically I want to thank the Laura
11 and John Arnold Foundation in Texas. I want to thank
12 Accenture, and I want to thank ESRI. The three of
13 them did a great job in supporting us both
14 financially and with a lot of talent on loan as well.

15 So please give them a hand.

16 **(Applause)**

17 My priority for this initiative has been
18 to provide all governors with best practices and
19 other tangible resources to help state government
20 work in the most efficient and effective way
21 possible. We hope that the initiative, especially
22 the *Delivering Results* toolkit, will provide you with

1 the tools and information that will help you achieve
2 that goal, and we certainly appreciate the support
3 and the advice and involvement of many of you here
4 today.

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

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

15 His initiative and Governor Fallin's and
16 certainly, I think almost all but those two
17 especially were the ones where the takeaways we're
18 still using, and last year with Governor Markell we
19 looked at how you take work with companies to make
20 sure you have more jobs for those individuals who are
21 differently able, who have some forms of
22 disabilities.

1 Certainly with the workforce development
2 work that Governor Fallin did, you come back to that
3 a year later and it just expands in its value. So
4 hopefully *Delivering Results* will be something
5 equally useful to all of you in the years ahead.

6 *Delivering Results*

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

21 Peter has been involved throughout the
22 entire *Delivering Results* initiative and has been

1 instrumental in the final package. He was one of the
2 first people I talked to when we were first putting
3 together the framework of what this initiative might
4 look like, and he was thoroughly engaged throughout
5 the initiative. He attended all three of our experts
6 roundtables last fall along with the summit that we
7 hosted in Denver this past April.

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

17 Throughout the past year he has shared so
18 many thoughtful examples of how the public sector can
19 improve the way we do business, the way that we
20 provide service to our residences and our businesses.
21 I think he has a real gift for synthesizing some of
22 the most complex issues and ideas into clear and

1 succinct ideas that really do deliver on common
2 sense.

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

11 Peter?

12 **(Applause.)**

13 MR. HUTCHINSON: Good afternoon.

14 AUDIENCE: Good afternoon.

15 MR. HUTCHINSON: Let's remember this
16 introduction. I used to be a school superintendent.
17 Good afternoon.

18 AUDIENCE: Good afternoon. **(Louder.)**

19 MR. HUTCHINSON: **(Laughs.)** I am so excited
20 about being here. I think of all the things that the
21 NGA could have spent the last year doing, I think
22 Governor Hickenlooper picked the right one. Not

1 because it's droll and pedestrian, or as somebody
2 said the other day, it's not sexy. To me it's just
3 the opposite.

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

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

1 years later. Thirteen months is an extraordinary
2 achievement.

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

13 Confidence of our people in the work that
14 we do is lagging. By making the extraordinary
15 ordinary we win the competition for public support.
16 But it's not easy. I recall a story of an
17 acquaintance of mine who was running for mayor and
18 he's charging around and he's visiting you know, all
19 the neighborhoods, shaking hands, and he comes into
20 this one neighborhood and all they want is to get
21 their park fixed. And they are on him, I mean night
22 and day: 'You've got to fix this park. If you get

1 elected, you've got to promise to fix this park.'

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

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

17 You know, people judge our results as the
18 difference between what they expect and what we
19 deliver. That's what this lesson is about. He
20 missed the point. He may have hit the target, but he
21 missed the point. The point was, we just want this.
22 One of the challenges I think for us in government is

1 to make sure we know what results we're headed
2 toward. What results people really want, and what
3 are the expectations that we are trying to achieve.

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

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

19 Interesting point, right? And the mission
20 statement of our school district was seven hundred
21 and fifty words long, and then there were buses and
22 books and athletics and food and everything under the

1 sun but nowhere, anywhere in those seven hundred and
2 fifty words were the words 'student achievement.'

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

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

20 I'll never forget when one of our union
21 leaders, in observing this, he gave me this thing to
22 remember. He says, Peter, you got to remember, the

1 main thing is to keep the main thing the main thing.'
2 That is critical if we're going to deliver results.
3 Because the truth is as governors you can do
4 anything. The problem is you can't do everything.
5 You've got to pick. You've got to decide. You've
6 got to know where that focus is going to be, because
7 when you do focus on what you care about you can get
8 extraordinary results. You can hit targets in
9 Targets. You can get beyond what people imagined is
10 possible and actually achieve the extraordinary. You
11 can't deliver results if you don't focus on them.

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

22 So, I decided I'd better find out what's

1 going wrong here and you know, as the chief executive
2 of this organization it's my job to fix this problem.
3 So I go to the warehouse where the central stores are
4 and I get everybody together and I say to them "How
5 do you like working here?" 'Oh, I hate it.'
6 "Really? What do you hate about working here?"
7 'Well, you know, those people in those schools, they
8 just treat us so badly.' And I said, "Well, why is
9 that?" 'Well, you know, it takes us six weeks to
10 get them the stuff they want.'

11 So, that seems like a long time. 'But
12 we're doing the best we can with what we got.' I
13 said "I had one teacher who said to me that she
14 filled out a little slip and sent it in." She was
15 requesting a map of the world because she wanted to
16 teach a world geography lesson, and six weeks later
17 she gets a map, but it's so old that the names of the
18 countries are wrong.

19 I said 'What's that about?' They said
20 'Well, you know, it's just them, they just whine.
21 They're just whiners. She could have put the right
22 names on that map.' Well, of course this is

1 not the right answer, and I'm sitting there in my
2 office trying to sort this out and I'm thinking
3 "Okay, now you're the chief executive. Your job is
4 to solve problems but the problem here is you know
5 nothing about distribution. You know nothing about
6 inventory control systems. You're the least informed
7 person that should be working on this problem." I'm
8 telling you, I am struggling away at this thing and
9 then my friend comes to me and he says 'what are you
10 doing? You're the least competent person to work on
11 this. You need to get the people who have the
12 problem to own the problem so that they can improve
13 the solution.'

14 I said "Well, how do you do that?" He
15 says "you've got to change the rules of the game."
16 See, the game they're playing right now, this is the
17 game of blame, "I didn't get what I wanted, I don't
18 like working here, and you treat me bad and if you
19 treated me better and"--it's never going to turn
20 out. He says "You've got to change the rules.
21 You've got to change the structure. You've got to
22 change the incentive."

1 So I held my breath and I went back to the
2 warehouse and I said "Okay, here's what we're going
3 to do. A year from now, I'm going to take all the
4 money that we appropriate for the warehouse, I'm
5 going to give it to the schools. I'm going to tell
6 the schools they can buy their school supplies
7 anywhere they want. They can go to Target, they can
8 go to Home Depot. They can go to Staples. I don't
9 care where they go. But in that year, you have a
10 chance to figure out how to win their business, but
11 you've got to win it because there is no general fund
12 in appropriation after a year from now."

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

 "Oh my gosh, I don't
20 know what happened but it's really fabulous."
21 I said, "What do you mean?"

 Well, we're getting our
22 stuff overnight, twenty-four hour overnight delivery.

1 We're getting what we asked for the first time. By
2 the way, they smile when they deliver this stuff."

3 I'm thinking "Wow, something wild must
4 have happened in that warehouse." So I go back to
5 the warehouse and I walk in and it's just chaos.
6 It's just a flurry of activity, and I get everybody
7 settled down and I said "So what happened?"
8 They said "Well, here's the thing. Once we figured out
9 that it was up to us, well we took control. We
10 looked around the warehouse, and we realized we had
11 \$3 million of inventory we didn't need.
12 We sold it. We took the 3 million bucks, we
13 invested it in an inventory control system, we
14 reorganized the warehouse. We put the stuff that
15 people want in the front, the stuff people don't want
16 very often we put in the back. We changed our order
17 system, we changed our delivery system."

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

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

21 This, to me, is the essence of delivering
22 results. It's putting people in a position to

1 experience the consequences of their own decisions
2 and knowing that if we give them that chance, they'll
3 find ways to overcome obstacles. They'll find ways
4 to work together. They never thought they'd work
5 together before. By the way, for those of you who
6 were wondering, these are union employees. Two
7 different unions as a matter of fact. They figured
8 it out. They didn't need my help or permission.
9 They just figured out how to get it done. So when
10 performance really matters, performance gets better.
11 I think it's at the heart of everything we have to
12 do.

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

21 Except for one day I pulled up to a
22 parking meter and the parking meter didn't work and I

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

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

"Yeah."

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

17 That's a result delivered. That's a
18 result delivered, right? It's not enough to do it.
19 You've got to deliver it. People have to experience.
20 A result that no one experienced never happened. We
21 have opportunities in our state governments to change
22 fundamentally how we connect with the people we

1 serve.

2 Just think about this example. This just
3 happened to me. I filed my taxes this year as I know
4 you all did. I filed them electronically. I never
5 thought anything of it. Three weeks later, I was due
6 refunds by the way, that felt good. Three weeks
7 later, I get my electronic refund. It gets deposited
8 in my account from the state. Three weeks, I don't
9 know. Is that good or bad? It seemed all right.

10 Six weeks later, I get my federal refund.
11 Well, now the three weeks looks pretty good.
12 Right, remember what I said. People judge your
13 results based on their expectations. Well, my
14 expectation had become three weeks because that's
15 what I just experienced. Now the feds looked
16 terrible. I actually think six weeks for the feds is
17 probably pretty good. But here's the opportunities
18 we missed. When my electronic return got filed, what
19 if they had sent me a note saying 'You know, Mr.
20 Hutchinson, you're a great citizen. Thank you for
21 doing that. You got it in ahead of time, that's
22 terrific. That makes us proud, you know, that you're

1 willing to share your resources with us.' When
2 they processed my return they could have sent me
3 another note saying 'Hey, your return is processed.
4 You are going to get a refund. You should look for
5 that in about three days.' Three days later when the
6 refund gets deposited they could have sent me another
7 note saying 'You know, it's in the bank. Thanks
8 again. We look forward to working with you next
9 year.'

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

18 You know, our citizens--they can
19 literally carry your government around in their
20 pocket. They can file their tax returns, do
21 complaints, look up what's on an agenda, get a
22 license renewed. They could do all of these things

1 and every step along the way, you could thank them.
2 And every step after that you could actually think
3 ahead and say "Well, if you got a driver's license,
4 did you remember to renew your trailer license, and
5 what about the tow on your car. Have you checked
6 your tires?"

7 There's all kinds of ways we could connect
8 with our citizens and make their experience of
9 government well, extraordinary. You know, the
10 parking meter is just an example of that. But
11 there's another problem when it comes to
12 communicating about our results, and frankly that's
13 about us. It is certainly about me.

14 I am a wonk, which is a geek in
15 government, and that means I love data. The governor
16 told you this. I am a nut for evidence. I think the
17 stuff is fabulous and interesting. Here's the
18 problem: It's so boring to everybody else. You
19 know, you start talking about percentages of this,
20 percentages of that. You know, we all have math
21 anxiety and you know, 86 percent of the
22 population tunes out. I know this personally because

1 I have been rampaging around for years talking about
2 a problem that you're intimately familiar with which
3 is in our state, and I know it's true in every state.

4 So many of our high school graduates,
5 people that have a diploma that says they graduated
6 from our high school, when they go to enroll in
7 college they are told they have to take remedial
8 courses. In fact, there is 38 percent. I
9 use this number all of the time. Thirty-eight
10 percent. Well, guess what? Nobody knows what
11 38 percent is, right? Because if it never
12 happened to you, it's zero percent, and if happened
13 to you it's 100 percent. It's thirty-eight.
14 It doesn't mean anything.

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

1 off my resume pretty regularly.

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

6 But I'm walking along introducing myself
7 to all these people who didn't want to meet
8 me, and I get down to the end of the bar and
9 there is this young woman sitting there.

10 Of course, she can see me coming right because
11 I'm the only weird guy doing this. Just as I
12 get to her, she spins around on her bar stool
13 and she looks me in the eye and she says
14 "You lied to me!"

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

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

17 I said "What are you talking about?"

She says

18 "Here's the deal. You told me I should go to school
19 every day. I never missed one day of school, K
20 through 12. You told me I should take college prep
21 courses. I took all the college prep courses. You
22 told me I should do my homework. I did my homework

1 every night. You told me I should graduate with a
2 diploma. I graduated with a diploma from a five-star
3 high school."

4 In Minnesota we have a star rating for our
5 schools. That's the highest possible rating.

"I've got that diploma at home.
6 Its got the five stars on it. You told me
7 I should go to college. I went to college
8 and when I enrolled they told me I had to
9 take math and English over again. You told me
10 I was a high school graduate. You lied to me."

11 Isn't that a better story than
12 38 percent? Doesn't that convey the
13 essence of the issue in a way that the statistics
14 could never do? I think the challenge for us is to
15 get focused on the story, not on the stat. I think
16 all of us--and I know it's terribly true for me--we
17 get sucked into all this data because we get handed
18 all this data all the time. We need to be
19 challenging our organizations, our staff, everybody
20 to help us tell the story of results. Not just the
21 statistics.

22 Now the governor rightly says there's

1 three key elements to the *Delivering Results*
2 approach, and one of them has to do with regulation
3 and I want to ask the whole room to engage in a
4 little experiment here. I just want to test your
5 willingness to comply with various kinds of
6 regulation.

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

12 **(Show of hands.)**

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

1 bad happens to you. That's legit.

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

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

10 *(Show of one hand.)*

11 *(Laughter.)*

12 MR. HUTCHINSON: You didn't hear the
13 question? I'd say this is fabulous. Nobody, nobody,
14 well maybe one. Think about that for a second. Now,
15 why don't you obey the speed limit. Don't you know
16 that the odds of being caught for speeding are four
17 times as high as the odds of being caught for not
18 paying your taxes. And by the way, when you get
19 caught speeding, it's a lot more public. We all get
20 to watch you getting a ticket. But nobody obeys the
21 speed limit. It's posted right there. It's not like
22 I don't know what it is.

1 But how fast do you drive, how fast do you
2 actually drive? Well, you drive about as fast as
3 everybody else. It's as though we all got together
4 and agreed on a speed limit. It just isn't the one
5 that's on the sign. Right? It's the truth. That is
6 exactly, think about it. If somebody is going too
7 slow, too slow meaning they are actually obeying the
8 speed limit, we are all enraged. We honk our horns.
9 We get real close to them. We're trying to speed
10 them up a little bit and if you see that rocket man
11 going by.

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

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

22 *(Show of hands.)*

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

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

17 Well, think about the way in which
18 recycling was brought to our attention. In the place
19 that I live the powers that be started by running TV
20 ads telling me about solid waste disposal and
21 38 percent this. When I woke up, those ads
22 were still on. Had no effect whatsoever. One day,

1 I'm at home. I have two daughters and my oldest
2 daughter was in second grade at the time and I'm
3 throwing the trash in the trash, all I know how to
4 do, and she looks up at me--this is daughter to
5 father--and says "Daddy, you're killing Mother
6 Earth."

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

She says "I learned
9 that in school."

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

16 It was a well-meaning. You know,
17 different colors and they were going to make it easy
18 for us, but the truth about the bins is, it's just
19 like the highway. I live in Minnesota. On January
20 26th, the coldest day of the year, it's recycling day
21 at my house. I have to, in my pajamas, I have to
22 drag my garbage can down to the end of the driveway

1 in a blizzard usually. Then I have to go back and
2 get the recycling and bring that back down. When I
3 slam that sucker into the ice, what do I do? I look
4 around. I'm taking attendance. I want to know who
5 else is foolish enough to do this.

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

16 Think about how much cheaper it would be
17 to get people to do the right thing without forcing
18 them to do it. On the enforcement side, you don't
19 have to arrest them, you don't have to inspect them,
20 you don't have to audit them, they just do it. And
21 in fact the data you just saw in this little
22 experiment here, the data is that people want to do

1 the right thing. We just have to make it easier for
2 them to do the right thing and harder to do the wrong
3 thing. We can do that, that's within our power.

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

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

19 Oh. So we've got a list. We actually had
20 a list of one hundred schools. The schools at the
21 top of that list had always been at the top of that
22 list. The schools at the bottom of that list had

1 always been at the bottom of the list. That was our
2 evidence. Those are the best schools, those are the
3 worst schools. That was our evidence, and we were
4 making decisions and we were actually allowing our
5 parents to make decisions on the basis of that
6 evidence.

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

15 So maybe we're asking the wrong question.
16 Maybe instead of asking who's got the highest test
17 scores, maybe we should ask, what school moves their
18 kids the furthest? So we did. It took a couple
19 months. We had a genius, PhD, you know, analytics,
20 big data kind of guy do this. This is back before
21 Big Data was big--and he comes back with this list
22 and I said "Okay, what's the best school in

1 Minneapolis?" He gave me the same answer and I said
2 "Actually, no that's not true." "What's the worst
3 school in Minneapolis?" Same answers and ...

"Oh, actually that's not true."

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

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

21 That's about using data and evidence to
22 deliver results. I use this image because it builds

1 on this fundamental belief that I have which is when
2 we are in the dark, things look a lot better than
3 they really are. I don't know what's out there, but
4 I'm pretty sure it's not benign. If we don't know
5 what's behind the data and evidence that we're using,
6 it's like fumbling around in the dark. The worst
7 thing we can do is to call that darkness light.

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

15 Finally, leadership. I'm going to end
16 with this and I have a lot of passion about the role
17 that we as leaders play and the difference that we
18 make for the people that we serve and that passion
19 comes from a little girl named Andranetta who I'm
20 going to introduce you to. Andranetta was a second
21 grader. I wandered into her classroom one afternoon
22 and the teacher said 'Boys and girls. Boys and

1 girls, stop what you're doing, stop learning, we have
2 a very important visitor. We have the Superintendent
3 of Schools. Does anybody know what the
4 Superintendent does?'

5 Now I mentioned earlier, I wasn't trained
6 and probably wasn't licensed to be a superintendent
7 so I had a real interest in an answer to this
8 question, what does a superintendent do? It would be
9 important. And here is the best part, it was second
10 grade. Second graders will answer any question. Any
11 question. So when she says does anybody know what
12 the superintendent does, every hand in the room went
13 up and I'm thinking that I've got the goldmine here.

14 Right down in front was this little guy
15 named Michael. Michael was trying as hard as he
16 could to follow the rules. He knew the answer but
17 he's just trying to wait to get called on but he just
18 couldn't do it. He jumps up, he says 'I know.' The
19 teacher says, 'All right, Michael, what does the
20 superintendent do?' 'The superintendent is the guy
21 in charge of Super Nintendo.'

22 *(Laughter.)*

1 I've got to admit, it sounded like a
2 better job.

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

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

18 Now, I flunked out of leadership school
19 three times. I have read probably every leadership
20 book there is. That is the single best definition of
21 leadership I've ever heard. I ran back to the school
22 district. I got all the principals together. I

1 said, "I've got good news and bad news." 'What's
2 the good news?' "The good news is I got our job
3 description. Change things and make things better."
4 'But what's the bad news?' "The bad news is the
5 second graders already know."

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

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

21 **(Applause.)**

22 GOVERNOR HICKENLOOPER: All right, thank you,

1 Peter for an illuminating presentation.

2 We've got time for some questions from the
3 governors. Do I see any lights going on?

4 I'll ask you one question: when you look
5 back over your work at all these different levels,
6 you know, where do you think, relative to state
7 government, where is the greatest opportunity? In
8 other words, if you are going to make a priority,
9 where do you get the biggest bang for your buck?
10 Where would people want to start?

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

22 I think that the two things that are hard

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

10 So a second part of the answer to this is
11 where we do touch people, we should touch them
12 brilliantly. Taxes, licensing, permits, all of those
13 things where we actually do touch human beings,
14 tuition payments, grants and aides, all of those
15 sorts of things. We should make those experiences as
16 easy, as simple. I really believe that the goal for
17 the public sector is no touch service. To get to the
18 point where literally I can pull out my phone, I can
19 do what I need to do and I never need to touch
20 anything again. We're very close to being able to do
21 that today and some services, I would say in ten
22 years we will be able to do that everywhere.

1 But there is actually a more fundamental
2 challenge I think for us in government and that is
3 that the government we have today by and large was
4 invented a hundred years ago. Our government is a
5 reaction to the corruption and the trusts and all the
6 terrible things that went on at the turn of two
7 centuries ago, right? We elected people like Teddy
8 Roosevelt to kick up some dust and fix things. We
9 went from a government of chaos and corruption to a
10 government of control. If you think about it, to use
11 your metaphor, if you think about the DNA of the
12 governments that you are running, the DNA is
13 fundamentally about control. We have all kinds of
14 controls, control procedures, we're focused on
15 controlling things and we needed that. The truth,
16 and we call it bureaucracy, we call it red tape, the
17 story is it worked. It's fabulous. We don't have
18 that kind of corruption today. We don't have
19 arbitrary stuff going on at the scale we used to
20 have.

21 It worked, it was fabulous, but the world
22 changed. It's not the same world. We're trying to

1 run twenty-first century governments with early
2 twentieth century systems. I think the harder
3 challenge, while we're winning the right to do this
4 by changing the way we touch citizens and the way we
5 touch us, behind all that we've got to take out the
6 DNA of bureaucracy and replace it with the DNA of
7 results. We're doing it. All of you are doing
8 pieces of this.

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

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

18 GOVERNOR HERBERT: Well, thank you Peter. We
19 appreciate you coming here and sharing your expertise
20 with us, and it was illuminating and enlightening.

21 As you were talking about leadership and
22 the definition of leadership, change things to make

1 things better, I expect that most all of us have been
2 involved in efforts, in campaigns saying 'elect me'
3 because I will change things and make things better.

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

16 MR. HUTCHINSON: That's the most profound
17 issue that I think we all face. I think the answer
18 is yes and yes. So I really believe the qualities
19 that each of us have, they are innate. They are
20 virtually what we were born with, what we grew up
21 with depending on our own family circumstances or
22 whatever, and we learned a ton along the way. I

1 don't think of myself as a great leader but I do
2 think I've changed a lot.

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

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

19 That seems counterintuitive to sort of our
20 usual definitions of leadership which is the person
21 riding in from offstage on a white horse to save us,
22 right? I actually think it's a person riding in on a

1 mule that is tearing down the things that are
2 standing in the way of our organizations of doing for
3 our people the things that our people want and those
4 people in those organizations would do.

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

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

20 GOVERNOR HICKENLOOPER: Two suggestions before
21 we go to Governor Nixon. One, I would suggest don't
22 use the fire analogy in a summer meeting, especially

1 with Western governors here. Second, I will just
2 throw in an alternative definition of leadership I
3 got just a couple of months ago, was a leader is
4 someone who persuades people or even one person to
5 think and do something that they didn't otherwise
6 believe.

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

14 Governor Nixon?

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

21 What insider advice do you have in order
22 to motivate folks during that type of process?

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

9 MR. HUTCHINSON: Two things about that.
10 The first is ten years from now, our governments are
11 going to be even smaller than they are today. It's
12 inevitable for two reasons. One is we will not have
13 the resources to afford the scale of government that
14 we have today. Even more importantly, technology is
15 just going to drive work away from human beings and
16 into the hands of technology. Especially
17 transactions, and we have huge transactional
18 enterprises in our governments and over time we're
19 just going to not have people doing those things.

20 So we're going to get smaller but I've
21 been through this many times personally that the key
22 is to keep people connected to the people they are

1 serving. What allows people to move forward is their
2 passion, their commitment to the purpose, their
3 belief in what it is they're trying to achieve. Part
4 of our job as leaders is to help people disconnect
5 that sense of purpose from the process we happen to
6 be using today, because those processes are not going
7 to be the processes we use five or ten years from
8 now.

9 Again, because technology is going to
10 replace things. We are going to find better and faster--
11 we are going to make it so we can target our
12 resources and so on. What I hear when I'm working
13 with organizations that are downsizing is people; yes,
14 they are worried about their job for sure and they
15 are worried about the way they have always done it;
16 but they're mostly worried about the rivers are going
17 to be dirty. The air's going to be foul. People are
18 going to do terrible things if we don't keep doing
19 what we've been doing exactly the way we've been
20 doing it for the last twenty years, and we have to
21 help people realize that in the course of getting
22 smaller we're not giving up on the big ideas.

1 In fact, we might re-up on some of the big
2 ideas because we've got new capabilities that are
3 going to allow up to actually deliver better outcomes
4 than we're delivering today but differently, with
5 different approaches.

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

16 My experience is people will do that.
17 They'll rise to that occasion. They're smart,
18 they're creative. They do want to know, by the way,
19 if you've laid off 5,000 people and you're
20 doing that, am I now going to get laid off after I
21 solve this problem for you? So you've got to sort of
22 deal with 'yes or no' and I think the answer needs to

1 be no. Another guy gave me some great advice, he
2 says 'you know measure twice, cut once, but cut once.
3 Don't cut again then cut again and cut again because
4 then people won't believe you. You'll lose the
5 ability to get people reconnected.'

6 GOVERNOR HICKENLOOPER: Governor [Terry] McAuliffe?

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

16 MR. HUTCHINSON: And, to make sure this is
17 clear how systemic this is, we've now in our family
18 called 311 three times. So the parking meter guy
19 calls me back and tells me it's fixed. I've got a
20 street light out, I call at 10 o'clock at night.
21 They are there at 6 o'clock in the morning replacing
22 the light bulb.

1 We had a dead animal on our property while
2 I was away and so the family was concerned. My wife
3 calls 311. This guy could not have been, I mean, I
4 should get her to tell you the story, but there's no
5 way this guy was reading from a script. There is
6 just no way.

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

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

17 MR. HUTCHINSON: (*Laughs.*) I won't give
18 you his name.

19 GOVERNOR HICKENLOOPER: I would argue that if
20 you can call at 10 o'clock at night and at 6 o'clock
21 in the morning someone is down there doing the job,
22 you might be overstaffed.

1 **(Laughter.)**

2 GOVERNOR HICKENLOOPER: I'm just saying. If
3 you hadn't called, what was that going at 8 and I
4 would also say at 6:40 in the morning my first
5 response might have been 'Maybe wait. Don't call our
6 citizens before 7.' Just as a consumer.

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

9 **(Laughter.)**

10 GOVERNOR HICKENLOOPER: Other questions?

11 Yes, Governor [Jack] Dalrymple.

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

20 MR. HUTCHINSON: So three things on this.

21 The first is there's no question that on average
22 states are going to be in a permanent fiscal bind.

1 The underlying cost of the things that we're
2 responsible for are rising inexorably faster than the
3 underlying revenues. That's a condition. I don't
4 see any reason why that would change. There's so
5 many other things going on in the economy that are
6 going to actually suppress its growth rate.
7 Similarly, there are so many things going on in
8 society that are pushing up the costs. I think
9 that's a condition we face.

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

19 Then you, as the chief executive, your job
20 is to figure out of that more the people say they
21 need to keep doing exactly what they were doing last
22 year, how much of that more can people not have? And

1 when you start announcing those thing that you're not
2 going to do, those are called cuts. It's a bizarre
3 system in which you could be spending more money and
4 be accused of cutting your budget, but it's the
5 system that we are mostly operating in.

6 I think for our own self-preservation you
7 should end that system. You should stop asking
8 people how much would it cost next year to keep doing
9 exactly what we did last year. Instead, you should
10 say to people: 'Here's how much money we have.
11 Here's how much money you have. What I need from you
12 is the same quality of service that we delivered last
13 year, if not better, with the money we have.'
14 People should be coming to you, not with proposals to
15 spend more but with ideas about how to redesign their
16 services so they can deliver more with the money they
17 have. The shorthand for this in my world is right
18 now we have budgets that are paying for costs and we
19 should convert to budgets that purchase results.
20 We're just not doing it. In states that have tried
21 this, in counties that have tried it and cities that
22 have tried it, you get amazing results.

1 But it's like the issue with the
2 warehouse, you've got to change the rules of the
3 game. The rules of the game right now are stacked
4 against governors. They put you in the position of
5 having to only say no to people. I went through
6 this, when I got to be finance commissioner in
7 Minnesota it was bonding time, which is one of the
8 craziest experiences I've ever been through. We had
9 about a half a billion dollars available for bonding
10 and we had \$4 billion in requests.

11 I sat down with our team and I said 'How
12 do we sort this out?' They said 'Oh, we don't know.
13 There's some process but basically three-quarters of
14 these requests are going to get turned down. I said
15 "Well, that's nuts. We've got all these people
16 thinking they might get something they're never going
17 to get and our job is going to be to call them up and
18 tell them 'you're not going to get it.' They're
19 going to blame us saying this is nuts? We've got to
20 change the rules.

21 Just answer this question for me, who pays
22 the debt service on those bonds? 'Oh well, we do.'

1 So will the people asking for this money have no
2 obligation, no financial obligation to pay it back?
3 I want that deal. That's like telling me I can have
4 ice cream for free. I want more.

5 So we just changed one little rule. We
6 said the organization is requesting that debt, had to
7 pay one-third of the debt service. The next day,
8 \$2 billion worth of requests disappeared.
9 Disappeared. Because if it wasn't free, then I had
10 to think about it if I wanted to spend the money.
11 It's about changing the incentives in our budgeting
12 systems.

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

22 We have to say there's no other way to get

1 money in this state unless it delivers results that
2 we can actually see and count on. The same way when
3 we purchase a good or service as a state we expect a
4 quality product. We should expect that from every
5 dollar that flows through our systems; but right now
6 they are not set up to do that.

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

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

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

19 GOVERNOR HICKENLOOPER: Anyway, before that
20 though, I just want to, in terms of the budgeting.
21 One thing we all have is a retirement rate of baby
22 boomers over the next ten years that's going to allow

1 us to use technology to do things less expensively.
2 Many things, not all things, but that's more of an
3 optimistic side. Governor Hutchinson?

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

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

14 When you are talking about child
15 protective services, the human touch that's required
16 to go into a home and to see if a home is well taken
17 care of, processes in court that's human delivery, I
18 see greater challenges. The other challenge of
19 course is higher education, because many of us do not
20 have a level of control over higher education. So
21 what is it going to take to get this message of
22 efficiency, of technology, of changing to a

1 results-oriented environment in higher education? Is
2 there any hope in that environment?

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

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

1 is actually what Governor Fallin asked us to focus on
2 last year.

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

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

22 This is a long way of saying, I think we

1 have to change the conversation from degrees and
2 graduation rates to the acquisition of competencies
3 that are required in the workforce. If we can arm
4 both sides of that transaction to talk turkey about
5 what it is I really need to be able to do and what it
6 is I really need you to be able to do, and change the
7 way those two things are connected with one another,
8 what will happen is that students will push the
9 higher ed system to change. They will drive the
10 outcome.

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

21 I think our job is to get that
22 transparency out there so people can see what is the

1 labor force going to need to be able to do and what
2 are our systems actually producing, and then the
3 third piece is who does it best? You know, if you
4 need a numeric control operator, where's the best
5 place in my state to go get that done? You can know
6 the answer to that question.

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

16 The system is just wrenching itself.
17 Right now, in front of us without anybody passing a
18 law or regulation or anything to make that happen and
19 it's because the transparency finally caught up with
20 the reality. We can accelerate that process I think.
21 We've got the tools.

22 There are some wonderful new tools

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

15 GOVERNOR HICKENLOOPER: Governor Fallin.

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

21 GOVERNOR HUTCHINSON: Stipulate the only.

22 GOVERNOR FALLIN: --you know, how do we

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

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

1 doing your spending. We all have to do that
2 periodically.

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

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

20 Then we asked all of our state agencies to
21 develop metrics and data and goals with specific data
22 points, and I'll give you a couple of examples: Like

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

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

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

22 Then we publish it on the hat

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

10 MR. HUTCHINSON: I couldn't be more
11 enthusiastic. I mean, that's exactly where we are
12 all going to get, some version of that is where we're
13 going to get. We did a couple projects like this.
14 I've been personally involved in probably like ten
15 budgeting projects like this; and one of the things
16 that was the most interesting to me was when, so in a
17 state they said their goals were, you know, 'educate
18 their kids successfully and preserve the health of
19 the population and transportation and so on.'

20 They took everything in the budget, there
21 were fourteen hundred programs and said 'every
22 program has got to attach to one of these goals, and

1 only one.' So that was a mad scramble to figure out,
2 'Well, wait a minute. Why do we do this program;
3 what's its real purpose?' But they learned some
4 really interesting things.

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

16 What if that education system worked a lot
17 better than it did and if it helped us think about
18 where to target? It also allowed those agencies,
19 because now you're working across three, four, five
20 agencies to talk together about "What do you do and
21 what do you do? We run a program like this and you
22 run a program that looks kind of like this. Is there

1 some way that we can do that together better than
2 what we are doing separately?"

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

11 The deal was the following: You give me
12 10 percent of your budget. So that's your cut. I
13 give you much greater administrative flexibility. I
14 take a lot of the administrative away. I eliminate as
15 many rules and regulations and red tape as I possibly
16 can. I let you run your organization. He had a
17 whole bunch of agencies that took the deal.

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

22 The first is, he got his 10 percent. Ten

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

19 GOVERNOR HICKENLOOPER: Anything else.

20 Governor Brown did you have a question? I
21 couldn't tell whether your light got bumped into by
22 accident or whether you had a question.

1 GOVERNOR BROWN: I am happy to ask a question
2 if we still have time.

3 GOVERNOR HICKENLOOPER: Sure.

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

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

20 This gets at the systemic challenge that
21 we face. It's easy to go do--it's not easy--but
22 it's possible to go do this once. Right, you sort of

1 disrupt what's going on, you jerry-rig the system and
2 you can do budgeting for outcomes or budgeting for
3 results. The problem is, it's not baked into the
4 system. You're sort of fighting against the system
5 because that machinery is still churning out all this
6 cost information and standard forms and all this
7 stuff that we have in our budget shops.

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

18 So you have to really get into the nitty
19 gritty of how the machinery works if you want people
20 to change because we learned, they're willing to
21 change. They find this very interesting. They come
22 up with innovative solutions, but the machinery

1 starts to get in the way. I think that the real
2 challenge for you as governors is to, if you want to
3 go down this path, go down it but really be thinking
4 about how do I alter the machinery so that it could
5 actually produce what I'm asking for on a regular
6 basis.

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

16 They did it and they did it very, very
17 well. But they were term-limited. Everybody left.
18 When you come back it's the old system still in
19 place. It's changing those systems. Those systems,
20 you know, they're fifty years old, they're sixty
21 years old. They've been around for a really long
22 time. So yes you can do it, but to sustain it we've

1 got to change the system. We've got to go in and
2 actually manipulate what the reports look like and
3 what the hearings look like and we know how to do it.

4 We know what it would take; but I think a
5 state with a courageous executive and then matched up
6 with courageous leadership in the legislature could
7 get this done. We've seen it in cities in counties
8 that have actually sustained it over time.

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

22 But unless people have seen something,

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

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

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

22 (***Applause.***)

1 *(Whereupon, at 2:35 p.m., the Opening*

2 *Session concluded.)*

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1 NATIONAL GOVERNORS ASSOCIATION

2 Summer Meeting

3 July 25, 2015

4

5 The Greenbrier

6 Colonial Hall

7 300 W Main Street

8 White Sulphur Springs, WV

10 Closing Session

11 Governor John Hickenlooper, Colorado, Chair

12 Governor Gary Herbert, Utah, Vice Chair

13 Guest: Sylvia Mathews Burwell, Secretary,

14 U.S. Department of Health and Human Services

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1 P R O C E E D I N G S

2 (3:20 p.m.)

3 GOVERNOR [John] HICKENLOOPER: Folks, if I can gavel
4 us into order. I want to welcome everyone to our
5 closing session of the 2015 NGA Summer Meeting, and I
6 think this might prove the most fruitful of all the
7 time we spend here. We are going to spend some of
8 this session examining health care transformation. I
9 am very pleased and grateful that Health and Human
10 Services (HHS) Secretary Sylvia Matthews Burwell is with us
11 today. She has been extremely generous with her
12 time, attending our last two meetings and speaking at
13 our governors-only lunches.

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

1 Hinton, West Virginia.

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

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

16 **(Applause.)**

17 SECRETARY BURWELL: Thank you, Governor
18 Hickenlooper. It's great to be able to join you all
19 today. I'm especially happy as was mentioned to
20 welcome you to the Mountain State along with Governor
21 Tomblin. Less than an hour away is my hometown of
22 Hinton, right across the mountain, and I just want to

1 invite all of you all to visit Kirk's, Home of the
2 Hungry Smile. It's where my sister and I both
3 started as waitresses, many years ago. I hope you'll
4 go by.

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

17 Kirk's was my first job and it's really
18 where I learned about hard work. If you got stuck
19 serving the hard-serve ice cream after church, you
20 just kept dipping. Didn't matter how the forearm
21 started to feel after a while--and I'm sure you can
22 imagine the after-church crowd at Kirk's--you

1 worked until you got it done. That's one of the
2 lessons I learned in Hinton, and I also learned about
3 community.

4 That was what Hinton, where we are just an
5 hour away, is all about. You work together to get
6 things done. I know that those are the ideas that we
7 share, and as we've had our conversations, it's
8 something that I find particularly valuable and want
9 to do with you all. It's been one year since I first
10 met you all. I literally had not been secretary for
11 a month when I came to visit you all, and we were
12 hosted by Governor [Bill] Haslam in Tennessee.

13 I've had the opportunity to get to know a
14 number of you. Some of you are new around the table,
15 but even those I think I have gotten to spend some
16 time with and understand and see your passion and
17 dedication for the people you serve. You all have
18 been great partners and great supporters on a wide
19 range of issues that HHS has. Whether that's Ebola,
20 early education, preventative care--and I just want
21 to start by saying thank you to you all for your
22 partnership in this year.

1 You all are on the frontline of governing
2 and I know how you feel. You have to answer for your
3 work every day and we depend on you because your
4 citizens are depending on you and you're crucial to
5 our partnerships. So we appreciate that and thank
6 you. I'm here today to listen and learn, so I will
7 deliver some remarks but then want to hear your
8 questions and our conversation, but I also want to
9 ask you for your leadership in one of the most
10 important things that I think is happening in the
11 nation right now, and that is transforming the
12 quality and value of healthcare for the folks we all
13 serve, the American people.

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

1 system.

2 We've paid for more care, but sometimes we
3 have actually gotten less; but in the last few years
4 we've actually started to see some turn in that.
5 We've reduced the number of hospital readmissions by
6 8 percent and that translates to 150,000 fewer readmissions
8 between January of 2012 and December of 2013. We've increased
9 safety in hospitals with a 17 percent reduction in the
10 rate of hospital-acquired infections and other things
11 that happen to people when they are in the hospitals
12 and so that's reduced costs estimated over \$10
13 billion.

14 We made sure that those with preexisting
15 conditions can't be denied coverage, and since key
16 provisions of the ACA were implemented there were
17 16 million fewer uninsured in our nation. This
18 is a foundation that we can build on. Like all of
19 you, we want to build a better healthcare system, one
20 that delivers better care, spends our dollars more
21 wisely and puts educated and empowered consumers at
22 the center of their care to keep them healthy.

1 At HHS, we've been trying to take some
2 steps to make that a reality. In January, we
3 announced historic goals to move 30 percent of
4 Medicare payments to alternative payment models such
5 as accountable care organizations and bundled
6 payments and 50 percent of those payments by 2018.
7 That means paying for value, not paying for volume,
8 moving away from a fee-for-service approach. And by
9 doing so we can pay providers by how well rather than
10 how much care they provide people.

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

20 So rather than being incentivized by
21 payments for each x-ray, blood test, check-up,
22 they're going to have an incentive to focus on the

1 quality and the total cost of performing a hip
2 replacement and the included recovery.

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

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

20 Many of your states' healthcare and
21 business leaders are already part of it. There are
22 4,000 members and 600 organizations.

1 I want to thank every one of you whose states have
2 already participated and your businesses that are
3 participating as well. We hope all of you will join
4 this conversation because it's a very important part
5 of making sure we move as quickly through this
6 transition as possible, that we do it in a way that
7 changes working in the private sector and the public
8 sector, and that we work together to see around
9 corners.

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

19 Through Medicaid Innovation Accelerator
20 program and the state innovation model, many of you
21 all have grant funding to do that kind of change and
22 we can continue provide those resources and technical

1 assistance. Another area where we have seen great
2 collaboration with the states, and I think you all
3 spent time on this earlier today, is efforts to combat
4 the prescription opioid and heroin abuse in our
5 country.

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

17 I've had the chance most recently to be in
18 Massachusetts with Governor [Charlie] Baker and to be in
19 Colorado with Governor Hickenlooper to map out a path
20 that we--the federal government--can work with each
21 state to work through and make real progress. Many
22 of you all are also finding every innovative ways to

1 combine behavioral and primary care together, which
2 is related to this issue.

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

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

19 Additionally, we're going to award
20 \$11 million in grants to help states provide
21 medicated-assisted treatment for opioid use
22 disorders. Next week, we'll make additional funding

1 available for hundreds of community health centers to
2 improve and expand the delivery of substance use
3 disorders and focus on treatment of opioid use
4 disorders.

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

11 *(Laughter and applause.)*

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

15 *(Laughter.)*

16 SECRETARY BURWELL: As we learn what is
17 effective, it's important that we share these best
18 practices with each other and that's why NGA's
19 Prescription Drug Abuse Policy Academy is so
20 important and we are also convening representatives
21 of all 50 states, I have sent a letter to you all
22 asking for your three for everybody to come together

1 in September so that we can work to continue to build
2 on that progress.

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

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

17 But the revolution that is happening in
18 biomedical research is also a place where we have a
19 chance to change the very nature of care that we
20 provide. With more efficient sequencing of our own
21 genes and even the DNA of microbes and tumors, we can
22 begin to personalize medicine like never before.

1 I've had the opportunity to meet with the scientists
2 and the patients who have been a part of this.

3 I was up at National Institutes of Health (NIH),
4 and I met with a gentleman named Don Dean who is one of those
5 patients. He is from South Carolina. He came to the NIH with
6 kidney cancer in 1992. Like his father and his sister, he
7 had a rare hereditary cancer with a mutation that is
8 called the MET mutation gene. It causes tumors to
9 just continuously grow. So since his first visit he
10 had to have his full kidney removed and on the other
11 kidney, he has had 96 tumors removed.

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

19 Eventually, Don received a trial drug that
20 actually targets the MET gene, and his tumors shrank
21 and now are at the point where Don lost his father to
22 this disease, but thanks to precision medicine Don's

1 actually doing just fine. He sent me a note and he
2 said "Often, the best thing you can do is give
3 somebody hope." So some of the most interesting
4 events I do are with these scientists and with the
5 patients that are doing this.

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

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

21 In every state that's expanded Medicaid;
22 if every state did, more than 4 million Americans

1 could have access to quality, affordable care. These
2 are lives that would be changed and in some cases
3 even saved. With more people covered, economies
4 actually benefit. In 2014 alone, we reduced hospital
5 uncompensated care costs by an estimated \$7.4 billion
6 dollars in the country, and \$5 billion of that
7 reduction is estimated that 68 percent of it comes from
8 the states that have done that expansion.

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

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

22 **(Laughter.)**

1 to ask the first question? Governor [Asa] Hutchinson?

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

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

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

22 SECRETARY BURWELL: So in terms of 1332 versus

1 1115--1115 are waivers that are focused on Medicaid;
2 1332 are the waivers about the marketplace. If you
3 go and look at the legislative history, the
4 legislative history and those that promoted 1332
5 waivers were about those that wanted a single-payer
6 option for states. So that's not necessarily what
7 1332 is or will be about.

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

17 If a state can figure out a way to meet
18 those conditions; and it is pretty clear in the
19 statute in terms of the affordability, it is about
20 the quality, it is about the access and it's about
21 the budget neutrality that we want to give states
22 that opportunity to come in. We recently, in the

1 last week have put out additional ways in which
2 states can come in and have these conversations with
3 us. I think you all know they don't kick in until
4 2017.

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

14 GOVERNOR HUTCHINSON: Thank you.

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

17 GOVERNOR MCAULIFFE: Great. Well thank you,
18 Madam Secretary. Virginia is one of those states
19 that we haven't closed the coverage gap, about
20 400,000 Virginians. We forfeit about a
21 \$1.7 billion a year, I could save my budget
22 \$232 million just this

1 year; so we are working and trying to do a bipartisan
2 way to get it done, but I do want to thank you and
3 your office. They have been absolutely spectacular
4 for us to come up with creative ideas.

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

12 SECRETARY BURWELL: So, at this time I don't
13 think we have a plan for round three. I think many
14 of you know we've done rounds two and that's
15 something that I think we will have to go back and
16 look, one of the conversations that is happening
17 right now in Washington which is an important
18 conversation that not much attention is paid to right
19 now, certainly. I'm sure you all are focused on a
20 transportation conversation which is an extremely
21 important one. But another one that's very important
22 to all the states and to the nation is the actual

1 budget conversation.

2 I think you all know that right now
3 current law is a sequester level; and for us at HHS
4 it will be some of the lowest levels of funding in a
5 decade. So I think some of these questions will be
6 answered as we move forward as part of these
7 conversations about where we are and where we are
8 going to be. I'm hopeful that there will be another
9 equivalent of a Ryan-Murray approach and we can move
10 forward, but that has not yet happened. That's not
11 the specific answer to your question, but certainly
12 as we think through things it is related.

13 GOVERNOR HICKENLOOPER: Governor Markell?

14 GOVERNOR MARKELL: Thank you, Madam Secretary.
15 Delaware also received one of the SIM grants where it
16 has allowed us to accelerate significantly our work
17 to try to move away from the fee-for-service model,
18 and my question--which really means improving
19 access, improving quality and bending the cost curve.
20 We're encouraged by how all of the stakeholders are
21 really at the table and working together. My
22 question is really around the cost issue nationally,

1 and certainly some of the stuff that I've been
2 reading recently in terms of national healthcare
3 costs and rates.

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

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

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

1 downward pressure.

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

11 So what happens is now, in each of your
12 states, if any insurer is putting forward rates above
13 10 percent, they have to be made public, it has to
14 be listed. During the review period, when your state
15 and most of your states, not all, but most of your
16 states review those rates. So that's what comes out
17 and it causes a lot of the conversation that is
18 happening right now.

19 The insurers have said that they believe
20 the people that will be in the marketplace next year,
21 and this is just the individual market, that it will
22 be below 10 percent. We know that the rates that

1 originally come out usually come down. We know that
2 a number of states, I can actually look around. Some
3 of your rates are out. Governor [Dan] Malloy, you're
4 actually in a state where we are seeing very, very
5 good rates and downward pressure. So I think we need
6 to wait and see when they are finalized.

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

20 The one thing that would say is I think
21 there are a number of things. I think we think light
22 of day is important for that in terms of knowing what

1 drugs are costing and how much so that that's
2 something the public knows and understands. I think
3 the other thing, and we've asked for these
4 authorities in our budget, is for Medicare Part D,
5 can we have the authority to negotiate?

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

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

19 GOVERNOR MEAD: Madame Secretary, thank you
20 for being here. We certainly appreciate the year of
21 your service, you had great outreach to the states,
22 and your team worked carefully with Wyoming as we

1 were trying to expand Medicaid, which was a colossal
2 failure by the way. But they blame the governor, so
3 that's okay, so it wasn't on your part.

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

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

17 So just a general question is that I think
18 that rural health care and rural states and within
19 our Native American populations, there are some
20 unique challenges, and we're working to find some of
21 those answers. But I would just encourage you and
22 your team to continue to recognize that there are

1 some differences between large metropolitan areas and
2 healthcare at rural areas, just in terms of distances
3 and how far you have to drive when your son has a
4 broken arm, and those challenges.

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

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

18 I think it's when I sit in my seat and
19 we're doing rulemaking, the one thing hopefully you
20 will be pleased to know is that now the Centers for
21 Medicare and Medicaid know they cannot bring a single
22 rule in for my review without telling me the impact

1 on rural America.

2 Because it is hard to figure out--or
3 when the announcement that I talked about, the hip
4 and knee bundling announcement, it's in 75
5 markets but for a market to be chosen, because it's
6 mandatory, the market had to be of a certain size
7 because you had to have enough of a population that
8 you could actuarially spread what was doing.

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

22 Because the markets are different, and how

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

8 GOVERNOR HICKENLOOPER: Great. Governor
9 Herbert.

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

18 You said something that I was kind of
19 taken with, and that is we have more in common than
20 we have differences. I agree with that. I think
21 that what we have in common is a very similar goal
22 as Republicans and Democrats and states and

1 Washington D.C. to serve our people as best we can.
2 The goal in regards to health care is to make sure
3 that as much as is practical or possible to provide
4 health care, affordable, high quality healthcare to
5 all Americans.

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

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

1 us the flexibility that we'd like to have as states?

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

16 So that kind of gives you, but usually
17 when we think about these things what we are trying
18 to do is go to what is known as the core objective,
19 and generally speaking as we have the back and forth,
20 trying and find the places where we can be the most
21 flexible about those things; and then where it hits
22 up against some of the core principles, that is where

1 we come to our places. I think similarly for you all
2 and I find that in all of my conversations with you
3 in terms of you all, there are core principles that
4 you have trouble moving beyond, even if I would like
5 to do it a different way.

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

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

1 that is what we work to do.

2 GOVERNOR HICKENLOOPER: Governor [Pat] McCrory,
3 Governor [Mary] Fallin and Governor [Bill] Walker.

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

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

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

21 We have got to come up with a long-term
22 partnership with the federal government, local

1 government and everyone involved to deal with this
2 very, very serious crisis. In fact, we had a previous
3 seminar talking about the drug problems that we're
4 having with synthetic drugs and everything and it's
5 getting worse.

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

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

19 The second thing is, you've been nice
20 enough to have Governor Herbert and I and the
21 President, you had us visit with the President in the
22 Oval Office and we had a very frank and a good

1 discussion on many things. One was about waivers and
2 one issue, I'm not sure if the lines moved at all if
3 we're attempting to look to see if there's waivers
4 that we can get for able-bodied people to require
5 work or training in order to have Medicaid expansion.

6 We did this in public housing when I was
7 Mayor of Charlotte which was very effective, and we
8 just want to know if there is any more flexibility or
9 is that the line drawn on that area. Again, I want
10 to congratulate you on your reaching out to us, and
11 an honest dialog.

12 SECRETARY BURWELL: So on that first question,
13 why don't we get back in terms of the benchmarks and
14 how different states, in terms of service levels. I
15 think that might be something we will get back to you
16 and your team directly on.

17 With regard to the question of work and
18 how we think about that particular issue with regard
19 to health, in terms of one of the things that I think
20 is an important thing that actually both sides agree
21 on quite a bit that was an important change, is that
22 preexisting conditions shouldn't keep you from an

1 ability to get health insurance. Again, maybe how
2 one gets to that, maybe, but I think that's an
3 agreement. The idea that health care is not a
4 conditional thing. Healthcare is different from a
5 number of other things, different from TANF. I think
6 you all know TANF Welfare is a program that is
7 operated out of the Department of Health and Human
8 Services, but that healthcare is actually different.

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

21 So look forward to being able to have that
22 conversation, because I think we think we can get to a

1 portion of what you want, which I think is you want
2 work encouraged. I think that's at the core of your
3 comment about that. So I think we think there are
4 ways to do that.

5 GOVERNOR HICKENLOOPER: Governor Fallin?
6 Governor Walker?

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

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

22 I was also interested in your comment

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

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

21 So I just continue to ask for your
22 consideration of that particular issue. On the

1 opioid and the prescription drug abuse problem, we've
2 had a great session that Governor McAuliffe and many
3 others led us through today earlier, but one of the
4 things we've done in Oklahoma is pass a prescription
5 monitoring bill to help stop doctor-shopping in the
6 state. It was hard to do.

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

19 The last thing I want to mention, we talk
20 about rising costs of Medicaid and expenses to our
21 state, which has always been a huge challenge for all
22 of us. We're in one of those states that over the

1 last couple years we've seen our unemployment drop
2 really low. We've seen our per capita income go up,
3 but when our per capita income went up, our FMAP
4 funds went down and so we had a huge drop, it think
5 it was about \$90 million in FMAPfunds,
6 but yet our costs went up \$130 million
7 and then we grew our population by another 300 million
or 400 million people.

9 So we had more people coming into the
10 system, less money from the federal government
11 because our economy had changed, and so now we are
12 going through another economic downturn with the
13 energy sector, but yet we are still really short of
14 FMAT money. So just something to consider.

15 SECRETARY BURWELL: Thank you, and a wide
16 range so I won't touch on all of them; figuring out
17 how we work in terms of making the program encourage
18 movement to economic health and people being able to
19 be in the private system where possible is something
20 we want to continue to think about, which is part of
21 how the reductions in funding are about trying to get
22 people to move and encourage economic growth.

1 On the opioids I would just mention, the
2 prescription drug monitoring plans, almost every
3 state has one and in the conversations that I've had
4 around the country with a number of you all, it just
5 really is a very important enforcement tool and the
6 ease of the tool, the ease of being able to use it,
7 how quickly it's updated, and then the other thing and
8 some of your states do it and some of them don't is,
9 the relationship with other states because people
10 border shop.

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

19 Your idea of how we can encourage and
20 influence people with regard to our payment system,
21 that's one we will look into in terms of what we can
22 do, but I think we are going to need to get to the

1 space where physicians are trained. With most of the
2 physicians, when I ask and I won't ask in this room:
3 How much training did you actually receive in pain?
4 In terms of treating pain?

5 That's one of the issues and so we're
6 working very hard, and I think we had a representative
7 from the CDC as part of your panel because we need to
8 issue the new guidelines, but then we need to make
9 sure that people are trained in them. Because it's
10 about starting at that point and the physician and
11 then the tracking that you're talking about. We hope
12 we can make progress.

13 We heard a tragic story of a young woman
14 who had gotten her wisdom teeth taken out, took too
15 much of the prescription drug after her wisdom teeth,
16 became addicted. After only months, it became
17 cheaper, easier and better to use heroin. Just the
18 trajectory, the good news is it's four years that
19 she's been clean, right? Four years clean, but just
20 if we can stop that journey because there were many
21 other stops along the way in terms of what happens in
22 that picture.

1 It just, for the nation as you said
2 governor, we're just seeing it everywhere. It's not
3 geographic anymore. It's not socioeconomic. The
4 number of people that you all probably know whose
5 children have some of these issues. I'm sure
6 everybody in this room does and so, one we really
7 want to work on.

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

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

19 *(Laughter.)*

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

1 have 110 airports. We have our
2 challenges.

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

11 We've got Russia and Canada so there are
12 not a lot of options there; but we do feel when we
13 have a need, Washington has been helpful to us, very
14 much, so it's a process that I've begun. We have
15 45 days to get through before I can actually
16 sign it; but we appreciate your help getting us this
17 far and look forward to working with you over the
18 next at least 45 days and beyond. Thank you.

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

21 GOVERNOR HICKENLOOPER: Governor Nixon.

22 GOVERNOR NIXON: I'll stipulate to all of the

1 thankings. Well, you've really reached out and
2 worked very hard and we really appreciate it. Not
3 just you, you've sent that mentality through the
4 entirety of your department. And on behalf of all of
5 us we feel that at a lot of levels and we appreciate
6 it deeply. Hence, this feels a lot different than a
7 congressional hearing, I would imagine.

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

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

18 On the whip side of this, as you look at
19 cost containment, looking forward, you have some
20 triggers that are difficult for states and difficult
21 for hospitals and everything else that are built into
22 the Affordable Care Act, whether it's on

1 reimbursements for Medicare, equaling out payments or
2 the disproportionate share.

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

17 SECRETARY BURWELL: So my ability to predict
18 on this one, because I think it involves two things
19 that I probably don't have a lot of say in. One is
20 one year, five months, about 10, 15 days is all
21 that I will be here and so most of the decisions
22 you're talking about will be at a period where I will

1 no longer be here. And the other thing I would just
2 say is that you know that Congress has engaged on
3 these issues.

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

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

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

18 GOVERNOR NIXON: Take an action to extend.

19 SECRETARY BURWELL: To extend.

20 GOVERNOR NIXON: Right.

21 SECRETARY BURWELL: Right. And so the
22 question of whether they will do that again is just

1 something that I'm not going to get.

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

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

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

19 I think there are a number of tools that
20 exist some of them, DSH, you've mentioned a number of
21 them. There are a number of states in the room that
22 have low-income pools. I had a very public

1 conversation with one of your colleagues in Florida
2 about these issues; and so that I think is, why it
3 was put in place is about how can we most
4 cost-effectively help low-income people have access
5 and those were the decisions about it. How that
6 plays out in the current environment is something
7 that we have to evaluate as we go through it.

8 GOVERNOR HICKENLOOPER: Governor [Steve] Beshear?

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

20 Second thing regards rural healthcare
21 because we're a state of about 4.4 million people. A
22 lot of our folks live in rural areas, and we

1 particularly have always had issues with rural
2 healthcare, with rural hospitals and how they can
3 stay open as the demographics change. And we have
4 gone and our hospitals as a whole had gone from about
5 25 percent uncompensated care to about 5
6 percent.

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

18 It's been a boon to our economy and that
19 you know before we did it we got Price Waterhouse
20 Cooper to come in and project what was going to
21 happen and whether we could afford it down the road.
22 And they projected that over eight years we'd create

1 about 17,000 new jobs and have about
2 \$15 billion infused into our economy.

3 Well, we implemented based on that and
4 after the first year I said "let's go take another
5 look" because now we've got actual numbers, at least
6 one year of hard numbers. So I got Deloitte
7 Consulting to go back in and take a look at our first
8 year. Well, they came back and said "well, we're
9 sorry to tell you that Price Waterhouse Cooper was
10 wrong. They told you that you were going to create
11 17,000 jobs in eight years, you've
12 actually already created 12,000 jobs in the
13 first year, in the healthcare area. It looks like
14 you're going to infuse about \$40 billion
15 into your economy over the next eight years instead
16 of the 15 billion."

17 So for my friends who are concerned that
18 number one, the federal government may back up at
19 some point and not do their part or that these
20 numbers at some point may change and we can't afford
21 it. You know, my message would be this: You can
22 stop. The court case says anytime we want to, we can

1 stop. So if any one of those things happen, you can
2 say "we can't do it anymore because we can't afford
3 it" and in between now and if that ever happens, a
4 whole lot of people, 400,000 people in
5 Kentucky are now having healthcare coverage, most of
6 them for the first time in their lives.

7 So if you can get past, and I know a lot
8 of legislatures have trouble just because of the name
9 of the act, but if you can get past that kind of
10 politics, this is a win/win for both your people and
11 your economy.

12 Because you're going to create a lot of
13 jobs and put a lot of money into your economy in
14 addition to improving the lives of all of these
15 people. Our screenings for cervical cancer, breast
16 cancer, diabetes, you name it, have gone just like
17 this because for the first time these people can get
18 these screenings. And what that's going to do is
19 it's going to cut down on the big costs down the
20 road, because when they weren't getting the
21 screenings the first time we would see them is when
22 they'd end up in the emergency room or they ended up

1 in in-patient stays in the hospital.

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

11 SECRETARY BURWELL: Thank you.

12 GOVERNOR MCAULIFFE: Steve, you want to come
13 up to Virginia for a couple days?

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

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

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

22 *(Applause.)*

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

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

18 GOVERNOR HICKENLOOPER: The bottom line is
19 that Governor Tomblin has set a very high standard
20 for this summer meeting, but as governors we know that
21 that's just a standard now set very high that needs
22 to be beaten. So with that, we are going to ask

1 Governor [Terry] Branstad to give us a little picture of what
2 we can look forward to next summer in Iowa.

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

8 I want to thank Governor Tomblin for--
9 and this happens to be my 50th state, so I had
10 never been to West Virginia; been to all the other
11 49 and we've got the whole family here and we
12 are having a great time.

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

21 Governor [Tom] Vilsack hosted it in 2005, but
22 we're looking forward to having you there. My whole

1 family is involved in the planning, so we want you
2 bring your children and grandchildren; my children
3 and grandchildren have gone to the last three in
4 Milwaukee, Nashville, and here in West Virginia, and
5 we think it's just been a great experience. So we
6 want to make it a very family-friendly thing and
7 we're going to have events.

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

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

1 very much.

2 **(Applause.)**

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

8 GOVERNOR BRANSTAD: Burke B. Hickenlooper,
9 absolutely.

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

17 What a place. You know between these
18 afternoon sessions there was 30 minutes so I
19 snuck down and bowled a game down in the basement. I
20 don't know if you guys have had a chance to go down
21 there but there are I think eight lanes. I bowled a
22 game with my 13-year-old son Teddy. Actually it

1 didn't go so well for me but this place, there is new
2 things to find and I honestly can envision coming
3 back here at some point and bringing friends and
4 family.

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

10 **(Applause.)**

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

1 **(Applause.)**

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

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

16 I think that, you know, getting also to
17 know our sponsors and corporate partners and building
18 those relationships and recognizing that for so many
19 of these companies it is not about Republican or
20 Democrat. They are trying to solve problems and find
21 solutions to make their business grow but also to
22 make the lives of our citizens better.

1 I think NGA does a great job of
2 threading that needle to make sure that we are all
3 working in concert and not at odds with each other
4 and yet at the same time respecting the importance of
5 competition and the productive sides of capitalism.

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

16 You know, a lot of people don't realize he
17 is South Dakota born and bred, born and educated I
18 should say; and even though he worked as a Domestic
19 Policy Advisor to President [Ronald] Reagan, was Director of
20 the Congressional Budget Office under President George Bush, but
21 throughout his career before he came to the National
22 Governors Association, he was always known as someone

1 who listened and really was moderate in his approach
2 and able to create compromise and find solutions in
3 some of those challenging situations.

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

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

19 **(Standing.)**

20 **(Applause.)**

21 GOVERNOR HICKENLOOPER: And it is an unruly
22 group and even just trying to make sure the questions

1 get asked in order. It's a little like being an
2 auctioneer. Sometimes you know, you've got a little
3 flick in your eye or something like that and say
4 you've got a question. I have to restrain myself and
5 make sure I get confirmation of that squint or the
6 wiggling of the eyebrow.

7 I also want to thank all the NGA staff for
8 all that they've done, not just for this conference
9 but for, you know, throughout the year. The
10 bipartisan expert advice, the wise counsel, the
11 technical assistance for our state governments and
12 for really putting together all these meetings and
13 there are, obviously as you know, dozens and dozens.

14 You know, the getting to know them has
15 been almost as good as getting to know all of you.
16 Certainly I think when I talk to most governors,
17 certainly when we have conversations later in the
18 evening, it's the relationships that we have with our
19 constituents and our staffs, the groups that we work
20 with that really make these jobs so enriching. It's
21 nice to be able to nudge the universe a little bit
22 from time to time, but having these relationships

1 really makes it easier and better.

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

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

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

22 ***(Moved and seconded.)***

1 GOVERNOR HICKENLOOPER: All in favor, say
2 "aye".

3 *(Chorus of ayes.)*

4 All opposed say "nay".

5 *(No audible response.)*

6 GOVERNOR HICKENLOOPER: Okay, that motion is
7 approved.

8 So first can we have a motion on the
9 permanent policy that the Association speaks for all
10 states, commonwealths and territories. All in favor
11 say "aye".

12 GOVERNOR MEAD: Mr. Chairman, just--

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

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

22 Because it looks like it says for

1 hereinafter possessions are referred to as states and
2 states are possessions, synonymous. So if the intent
3 of the preamble, the change in the preamble is to
4 have the governors of the territories and the
5 Commonwealth of Puerto Rico represented on the same
6 level as the states, I see the worth in that.

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

13 Probably everybody's ahead of me on this
14 language, but I think the better language would be
15 'between the states, the territories and the
16 Commonwealth of Puerto Rico' to avoid this
17 possessions question. Because I'm just not sure if
18 that's a term of art that we're not familiar with.
19 So that would be my only ... I think there's a way to
20 say it, to add them; I think it's very appropriate
21 the Commonwealth of Puerto Rico and the territories
22 have that same balanced relationship. They are part

1 of this organization and we want to represent them,
2 but if its intent is to be beyond that, this title of
3 possessions, I'm just not sure about it.

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

6 *(Laughter.)*

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

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

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

14 *(Side remark.)*

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

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

1 GOVERNOR HICKENLOOPER: Perfect.

2 AUDIENCE: Second.

3 GOVERNOR HICKENLOOPER: All in favor say
4 "aye".

5 *(Chorus of ayes.)*

6 GOVERNOR HICKENLOOPER: All against say "nay".

7 *(No audible response.)*

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

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

12 GOVERNOR HICKENLOOPER: Oh, we amended it,
13 right. Thank God you're here.

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

17 AUDIENCE: So moved.

18 GOVERNOR HICKENLOOPER: All in favor say
19 "aye".

20 *(Chorus of ayes.)*

21 GOVERNOR HICKENLOOPER: All opposed say "nay".

22 *(No audible response.)*

1 GOVERNOR HICKENLOOPER: The motion is
2 approved.

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

5 All in favor say "aye".

6 *(Chorus of ayes.)*

7 GOVERNOR HICKENLOOPER: All opposed say "nay".

8 *(One 'nay'.)*

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

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

16 GOVERNOR HICKENLOOPER: All right, so that
17 passes.

18 Now it is the time to call on the chair of
19 the nominating committee, Governor Fallin, to report
20 on the decisions of the committee and to nominate
21 next year's leaders of the National Governors
22 Association.

1 Governor Fallin.

2 GOVERNOR FALLIN: Thank you, Mr. Chairman, and
3 I would also would like to thank Governor Tomblin for
4 hosting this great meeting. Thank you so much for
5 you and your staff, making such wonderful
6 accommodations and we really enjoyed it.

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

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

18 From Connecticut, Governor Dan Malloy;
19 from Iowa, Governor Terry Branstad; from Minnesota,
20 Governor Mark Dayton; from Nevada, Governor Brian
21 Sandoval; from North Carolina, Governor Pat McCrory;
22 from Vermont, Governor Pete Shumlin; from Colorado

1 and soon to be our former chairman in a few moments,
2 Governor John Hickenlooper; our new vice chair will
3 be Virginia Governor Terry McAuliffe; and our
4 2015-2016 new chair nominee, Governor of Utah Gary
5 Herbert. And I make that motion.

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

8 AUDIENCE: Second.

9 GOVERNOR HICKENLOOPER: All in favor say
10 "aye".

11 *(Chorus of ayes.)*

12 GOVERNOR HICKENLOOPER: All opposed, say
13 "nay".

14 *(No audible response.)*

15 GOVERNOR HICKENLOOPER: The "ayes" have it.
16 Robert Rules of Order, when I was running restaurants
17 they didn't give us a lot--pretty much we got to
18 tell people what to do.

19 *(Laughter.)*

20 GOVERNOR HICKENLOOPER: Now it is my honor to,
21 with a light heart and a skip in my step, to be able
22 to turn over the gavel for this incredible

1 organization to the governor of the great State of
2 Utah, Gary Herbert.

3 **(Applause.)**

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

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

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

19 I can tell you, I've worked with John for
20 a long time and frankly I like the guy. No
21 accounting for taste sometimes, but John has done a
22 great job, so as a token of our esteem let me just

1 present to you the symbol of your leadership, and
2 that is a gavel which we will present to you right
3 here. It is engraved in the front. We hope you will
4 put that in your office and show it with some pride
5 of your leadership of this great organization.
6 Congratulations.

7 **(Presentation.) (Applause.)**

8 GOVERNOR HICKENLOOPER: I'll do it.

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

11 **(Laughter.)**

12 GOVERNOR HERBERT: So you can take on Teddy.
13 Let me just say too, again, I am a big believer in
14 this organization. I believe in you. I believe in
15 the states. I believe in what you represent. I am
16 excited about the opportunity we have before us and
17 whatever challenging times. I am excited to have
18 Governor McAuliffe as my Vice Chairman, as we commit
19 to you that we will do the best we can to in fact
20 take wherever NGA is today and raise the bar.

21 Again, I think we have opportunities to do
22 some wonderful things. You know, great minds do kind

1 of think alike, and Governor Hickenlooper's
2 initiative on delivering results and teaching us all
3 that there are better ways to do things so we can
4 find efficiencies in our state governments and
5 represent our taxpayers better and solve issues and
6 problems better than what we have done in the past.

7 In fact, I recommend to the NGA staff the
8 documents that have been prepared ought to be
9 required reading for all the new governors that come
10 in. Because it's a great place to start as you come
11 in and say what can we do to find more efficiencies
12 in our state government?

13 So again, in that same regard I am taking
14 a page out of Governor Hickenlooper's book and saying
15 to us all that we need to raise the bar and move
16 forward in challenging times. We've had some
17 discussions in the past about some of the challenges
18 we face as states. I enjoy coming together and
19 listening to how you are addressing your unique
20 problems and challenges and finding solutions.

21 In that regard, I was reminded of James
22 Madison's comments, which you probably all know from

1 Federalist 45, which I know, Jay, is on your night
2 stand, that you review each and every night before
3 you go to bed and say your prayers.

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

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

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

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

22 Sometimes we see partisanship and we've

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

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

18 Again, I think we have many examples of
19 challenges, that you are solving the problems, you
20 are solving your respective states which we share
21 here at NGA. So, it may come as no surprise to
22 you as I choose my own initiative here as far as what

1 I think we should kind of rally around. I believe
2 that the real action is happening at the state level.

3 Your great examples of leadership in your
4 respective states and you've implemented some of the
5 most innovative and creative solutions to challenges
6 we face around the state that we are all trying to
7 emulate and learn more about and copy in our
8 respective states.

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

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

22 Public safety, how we work with our

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

8 **(Laughter.)**

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

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

20 There's the missions and the objectives there.
21 Really, to find real solutions, just look to the real
22 innovators. States are laboratories of democracy.

1 My initiative will showcase those breakthroughs.

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

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

18 We are going to enhance in this process
19 hopefully our collaborative state-federal
20 partnership. Again bring back and understand the
21 shared responsibilities we have working as copartners
22 with the federal government and making sure that they

1 don't overshadow us and that we show them in fact
2 some of the innovative ways we are solving problems,
3 to highlight these state solutions and to share best
4 practice, as we are good at doing here.

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

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

22 Again, we will highlight the successes and

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

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

22 So thank you very much. I am honored to

1 be your chairman for this next 12 month period.

2 Thank you.

3 **(Applause.)**

4 GOVERNOR HERBERT: With that, I understand our
5 bylaws require a gavel and I know, John you didn't
6 remember if you gaveled us in? My job is to gavel us
7 out, and then we will be officially done until our
8 next meeting is coming up. Looking forward to
9 working with you, Terry. It's going to be a great
10 12 months. Thank you very much. We will stand
11 adjourned.

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

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