

Chair Tim O'Driscoll
2nd Floor, Centennial Office Building
St. Paul, MN 55155

Re: Modifications needed to any extension of Minnesota's reinsurance program

February 17, 2025

Dear Chair O'Driscoll and members of the House Commerce Committee,

We are writing today to express our deep concern over extending the state's reinsurance program without significant changes. Since 2017, Minnesota has authorized over \$1 billion for a state-funded reinsurance program to lower health insurance premiums for Minnesotans who purchase health care insurance on the individual market. Over time, Minnesota has become a national outlier in the scale of public subsidy for its reinsurance program.

We urge you to consider the following concerns and recommendations:

Protections for MinnesotaCare

Under the first Trump administration, Minnesota was penalized due to its reinsurance program and lost over \$500 million in federal cuts to MinnesotaCare.¹ The state had to backfill this funding until the Biden administration issued a legal interpretation that protected federal funding for MinnesotaCare. We must be prepared for the Trump administration to revert to its previous interpretation. Therefore, it is unacceptable and fiscally irresponsible to proceed with any extension of reinsurance that does not explicitly protect MinnesotaCare from federal cuts. Protections must be codified to prevent future penalties.

Budget Impacts and Funding Mechanism

Continuing reinsurance is estimated to require \$512 million in FY 2026, approximately two-thirds of the projected budget surplus, plus \$340 million in FY 2028, and untold ongoing funding. There are many other pressing needs in the state and the state's budget forecast and federal actions suggest challenging times ahead. **Minnesota has spent far more taxpayer dollars on reinsurance, allocating 2 to 20 times more funding than most states. Our state is also one of the few that pays for reinsurance through state general funds.**² Most states pay for reinsurance through fees on insurance companies. Health insurance companies in our state have been profitable and have the means to pay for an extension of this program.

Federal Action

Without federal action to renew enhanced premium tax credits set to expire this year, premiums for Minnesotans who buy health insurance on the individual market will skyrocket in 2026, with or without reinsurance. The impact of reinsurance will not be enough to allow many Minnesotans who lose federal assistance to stay insured. We urge state lawmakers

¹ Federal cuts leave future of Minnesota's low-income health insurance program, MinnesotaCare, in question, Star Tribune, February 2018.

² [Resource: State-Based Reinsurance Programs via 1332 State Innovation Waivers](#), SHADAC, November 2023.

to engage Minnesota's congressional delegation to renew enhanced premium tax credits. The expiration of enhanced premium tax credits will especially impact households earning more than 400% of the federal poverty level (FPL), the primary group helped by reinsurance.

Limitations of Reinsurance

Reinsurance is not a silver bullet. This costly program does not address the underlying causes of skyrocketing health care costs or health care access. It subsidizes a health care marketplace where 50% of Minnesotans are enrolled in high-deductible bronze plans that are often too expensive to use, saddling them and providers with medical debt. While households that earn over 400% of the FPL may see lower premiums from the program, it displaces federal tax credits for lower income Minnesotans, even increasing premium costs for some.³ **Legislators should continue to consider more targeted options, such as direct subsidies, that would make better use of state dollars without reducing federal funding for APTCs and the BHP.**

We urge lawmakers to consider these factors when evaluating an extension of Minnesota's reinsurance program. **As the state faces a structural budget deficit, any extension of reinsurance must include substantial modifications to:**

- 1) Codify protections to hold MinnesotaCare harmless from any federal cuts due to reinsurance
- 2) Pay for the program through a fee on insurers, such as the Governor's proposed Minnesota Comprehensive Health Association (MCHA) assessment

Thank you for considering these measures to protect MinnesotaCare and responsibly steward state funds.

Signed,

AFSCME Council 5
Committee to Protect Health Care
ISAIAH
Minnesota AFL-CIO
Minnesota Association of Professional Employees (MAPE)
Minnesota Farmers Union
Minnesota Nurses Association
SEIU Healthcare MN & IA
Unidos MN

³ Draft transition and phase-out plan - individual market reinsurance program, [DHS. 2021](#).