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Dear Members of the House Commerce Finance and Policy Committee,

The National Federation of Independent Businesses (NFIB) is the largest small business organization in Minnesota, with over 10,000 small business members in every corner of the state. Over three quarters of our members have fewer than 10 employees and our mission is to advocate for Main Street businesses.

Thank you for your support for establishing a more thorough review process for proposed benefit mandates and other changes that impact the price of health insurance. We appreciate Representative Elkins carrying the legislation, Chair Stephenson including it in the Commerce & Energy Omnibus bill at the end of last session, and others who advocated for it along the way. We also commend the Minnesota Department of Commerce for analysis that demonstrates the real impact on affordability.

Health insurance costs are a top concern for small businesses. In fact, the cost of health insurance was the number one small business problem in NFIB's [most recent *Small Business Problems & Priorities*](#) – as it was in every edition for the previous 29 years. Fifty-one percent of small businesses describe health insurance cost as a “critical problem.”

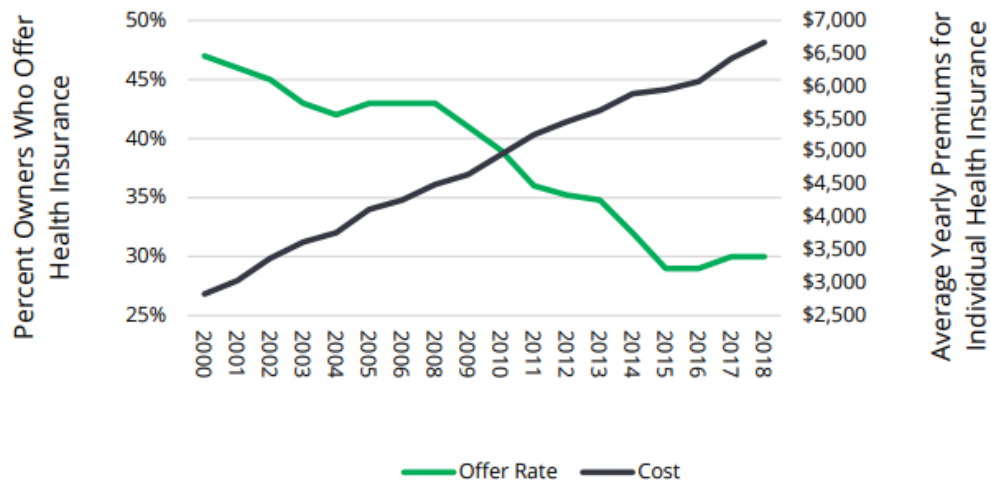
According to NFIB's report:

Health insurance costs for small firms have risen 43 percent in the last decade... Rising health insurance costs have proved unaffordable for many small business owners resulting in some owners terminating their employer-sponsored health insurance program, others delaying the benefit... and priced out other firms from ever offering the benefit.

This period of decline in small businesses' ability to offer competitive (or any health benefits) coincides with a steep rise in health insurance costs as evidenced by the chart below:

Health Insurance Offer Rates and Average Yearly Premiums for Businesses with Less Than 50 Employees, 2000 - 2018

Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends.
Medical Expenditure Panel Survey-Insurance Component.



While health insurance costs were rising and small employer offers declining, the size of the fully insured market was also shrinking in our state. According to the Minnesota Department of Health, the share of Minnesotans insured through the [fully insured market declined](#) from 24 percent in 2010 to 19 percent in 2019. A subset of the fully insured market, small groups declined from 11 percent to 8 percent of total Minnesotans covered during the same period.

This trend is important because states have limited to no ability to regulate the self-insured market, where over 40 percent of the state receives its health coverage. As a result, the cost of new state regulations of health insurance products falls largely on the diminishing fully insured market, making it even harder for small businesses to offer health coverage. And the proposed regulation may not even reach the type of coverage necessary to address the issue which gave rise to the legislation.

NFIB urges the committee to avoid placing the cost of new mandates and other regulations that raise insurance prices on small employers and individuals in the fully insured market. If health insurance regulation is in the public interest but harms affordability, then the state should mitigate the cost.

We encourage legislators to explore alternative payment or coverage arrangements for unique health treatments, products, or services, one that engages providers, insurers, payors, the state, and patients without further disadvantaging small businesses.

Thank you for your consideration of small business competitiveness.

Sincerely,

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