



Public Option Report

House Health Finance & Policy February 20, 2023



What does Commerce do?

Protect all Minnesotans in their everyday financial transactions by investigating and evaluating services, and advocating that the services be fair, accessible, and affordable.

Commerce protects the public interest

Mission

- Consumer centered
- Oversight: 40+ industry areas
- Engagement with all communities



- Commerce and the Department of Human Service (DHS) were required by the legislature to conduct an actuarial study on establishing a public option in Minnesota
- Met with and took input from a wide range of stakeholders to shape the model
- Report was delivered to the legislature on February 1, 2024
- **The results are encouraging and create a framework for discussion**
- **But...there are still many important decisions that need to be made to make a public option work for Minnesotans**

Model vs. Scenario

- Model
 - Framework for delivering a public option to Minnesotans
 - Overall structure of the product is different than another model
- Scenario
 - Four scenarios within each modelLook
 - Toggling key assumptions on reimbursement and subsidy limits
 - Scenarios A-D the same in each model

Summary of Public Option Analysis



Model 1 (MNCare): “buy-in” to a product identical to existing MNCare plan



Model 2 (QHP): purchase a platinum level QHP that resembles MNCare in terms of benefits and cost-sharing

Both models:

- Are available to people over 200% FPL
- Increase the value of people’s insurance
- Are delivered by health plans

Summary of Public Option Analysis

Examined four scenarios within each model

1. BHP reimbursement(current rates)/no subsidy limit
2. BHP reimbursement (current rates)/400% FPL subsidy limit
3. Medicare reimbursement (increased rates)/no subsidy limit
4. Medicare reimbursement (increased rates)/400% FPL subsidy limit

Estimated Annual Costs for Each Model



Model 1 (MNCare):
\$113m-\$364m annually
Enroll 107,000-144,000



Model 2 (QHP):
\$86m-\$187m annually
Enroll 135,000-151,000

Annual costs are driven by

- Enrollment
- Generosity of covered benefits and cost-sharing
- Amounts enrollees pay
- Provider reimbursement

Projected Costs and Funding for Model 1 (MNCare)



Projected 2027 Public Option Cost and Funding in 2027 for Model 1				
	Scenario 1A	Scenario 1B	Scenario 1C	Scenario 1D
Enrollment				
Projected 2027 population--Baseline	471,000	471,000	471,000	471,000
Projected PO enrollees	144,000	131,000	131,000	107,000
PMPM Cost by Funding Source				
Cost of PO coverage PMPM	\$682	\$652	\$805	\$734
PO enrollee premiums PMPM	\$380	\$377	\$382	\$327
Federal subsidies for PO enrollees PMPM	n/a	n/a	n/a	n/a
Federal PTF from PO enrollees PMPM	\$190	\$210	\$210	\$255
Required state funding	\$112	\$65	\$213	\$152

Projected Costs and Funding for Model 1 (MNCare)



Projected 2027 Public Option Cost and Funding in 2027 for Model 1				
	Scenario 1A	Scenario 1B	Scenario 1C	Scenario 1D
Enrollment				
Projected 2027 population--Baseline	471,000	471,000	471,000	471,000
Projected PO enrollees	144,000	131,000	131,000	107,000
Annual Cost by Funding Source (in thousands)				
Cost of PO coverage	\$1,177,000	\$1,021,000	\$1,255,000	\$943,000
PO enrollee premiums	\$656,000	\$590,000	\$596,000	\$421,000
Federal subsidies for PO enrollees	n/a	n/a	n/a	n/a
Federal PTF from PO enrollees	\$328,000	\$328,000	\$328,000	\$328,000
Required state funding	\$193,000	\$103,000	\$331,000	\$194,000
Required state funding with margin	\$212,000	\$113,000	\$364,000	\$213,000

Projected Costs and Funding for Model 2 (QHP)



Projected 2027 Public Option Cost and Funding in 2027 for Model 2				
	Scenario 1A	Scenario 1B	Scenario 1C	Scenario 1D
Enrollment				
Projected 2027 population--Baseline	471,000	471,000	471,000	471,000
Projected PO enrollees	151,000	145,000	143,000	135,000
PMPM Cost by Funding Source				
Cost of PO coverage PMPM	\$681	\$665	\$737	\$712
PO enrollee premiums PMPM	\$425	\$417	\$435	\$417
Federal subsidies for PO enrollees PMPM	\$92	\$96	\$112	\$120
Federal PTF from MNSure enrollees	\$104	\$108	\$91	\$97
Required state funding PMPM	\$60	\$108	\$91	\$97

Projected Costs and Funding for Model 2 (QHP)



Projected 2027 Public Option Cost and Funding in 2027 for Model 2				
	Scenario 1A	Scenario 1B	Scenario 1C	Scenario 1D
Enrollment				
Projected 2027 population--Baseline	471,000	471,000	471,000	471,000
Projected PO enrollees	151,000	145,000	143,000	135,000
Annual Cost by Funding Source (in thousands)				
Cost of PO coverage	\$1,234,000	\$1,159,000	\$1,272,000	\$1,152,000
PO enrollee premiums	\$771,000	\$726,000	\$751,000	\$675,000
Federal subsidies for PO enrollees	\$167,000	\$167,000	\$194,000	\$194,000
Federal PTF from PO enrollees	\$188,000	\$188,000	\$157,000	\$157,000
Required state funding	\$108,000	\$78,000	\$170,000	\$126,000
Required state funding with margin	\$119,000	\$86,000	\$187,000	\$139,000

Example—Scenario 1A

MNCare/BHP Reimbursement/No Subsidy Limit



Enrollee Age 33 in Rating Area 8 at 201% FPL						
		(a)	(b)	(c)	(d)	(e)
		Gross Premium	Federal Subsidy	State Subsidy Wrap	Enrollee Premium	Actuarial Value
(1)	2027 Bronze Plan (non-PO)	\$374.89	\$185.03	N/A	\$189.86	60%
(2)	2027 PO Plan as MNCare	\$459.12	N/A	\$351.30	\$107.83	94%
(3)	Premium Savings by Moving to PO				\$82.03	
(4)	Improvement in Benefits				\$192.26	
(5)	Total Value Improvement				\$274.29	

Example—Scenario 2A

QHP/BHP Reimbursement/No Subsidy Limit



Enrollee Age 33 in Rating Area 8 at 201% FPL						
		(a)	(b)	(c)	(d)	(e)
		Gross Premium	Federal Subsidy	State Subsidy Wrap	Enrollee Premium	Actuarial Value
(6)	2027 Bronze Plan (non-PO)	\$374.89	\$41.67	N/A	\$333.21	60%
(7)	2027 MNsure Platinum Plan	\$399.15	\$41.67	\$249.65	\$107.83	94%
(8)	Premium Savings by Moving to PO				\$225.38	
(9)	Improvements in Benefits				\$192.26	
(10)	Total Value Improvement				\$417.64	

Proposed Recommendations

Both models show promise – recommending that additional work is needed in the following areas:

- **Equity analysis**
- **Operational and administrative costs, including the impact on:**
 - Federal funding
 - MNsure’s funding structure
 - IT needs
 - Drafting the 1332 Waiver application
 - Staffing changes and needs
- **Provide direction on:**
 - 2026 Market changes
 - Provider reimbursement
 - Enrollment specifications

Proposed Recommendations | Equity Analysis



Proposed Recommendations | Operational and Administrative Costs

Decisions on how to operationalize and administer the public option will impact how the program works and the overall cost of the program

- Potential changes to current federal funding, including federal funding for MNCare
- Funding for MNsure
- Investing in IT infrastructure, including building the necessary eligibility and enrollment systems
- Finalizing cost projections and drafting the state's 1332 waiver application
- Staffing needs at DHS, MNsure, MDH, and Commerce

Proposed Recommendations | Key Decisions

Other legislative decisions will have an impact on the success and cost of a public option program

- 2026 market changes
 - Expiration of expanded Federal advanced premium tax credits
 - Funding for the Minnesota Premium Security Plan
- Setting provider rates and establishing a mechanism for updating these rates
- Developing a simple and well-functioning enrollment pathway



Questions?

