

HEALTH CARE

Minnesota health insurers hiking premiums in 2025

Most carriers in the state's individual and small markets are raising rates by roughly 9% to 15%.

By Christopher Snowbeck

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Blue Cross and Blue Shield of Minnesota is a nonprofit health insurer with its headquarters office in Eagan. The health plan provided this photo in April 2022. (Blue Cross and Blue Shield of Minnesota)

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The majority of health insurers in the state's individual and small employer health insurance markets will raise premiums between 9% and 15% next year, in yet another sign health care costs are back on the rise.

The rate jumps, revealed in state data Friday, are bigger than during each of the past two years. They will be offset for many in the individual market by larger tax credits from the federal government if they buy coverage through the state's MNsure health insurance exchange, officials say.

Even so, the hikes show how health insurance expenses have risen along with inflation, increased use of medical services and costly new medications in the years following the COVID-19 public health emergency.

“It’s really not much more complicated than: Health care costs are going up, and so premiums are going up to reflect those increased costs,” said Julia Dreier, the deputy commissioner of insurance at the state Commerce Department.

The individual and small group markets in Minnesota are relatively small, with just under 7% of all state residents covered through those plans. Yet, their cost trends seem to mirror the bigger markets where large employers buy coverage.

Preliminary survey results reported this month by the financial services firm Mercer suggest 2025 will be the third consecutive year of health insurance cost increases above 5% after a decade in which they averaged around 3% annually, the consulting firm said.

“Certainly, the recent spike in inflation helped initiate this period of elevated cost growth,” according to Mercer. “But given that general inflation has cooled considerably since 2022, there are clearly other factors contributing to the higher health benefit cost trend.”

Final rates issued Friday by the state Commerce Department generally fell in line with proposals submitted by health insurers this summer.

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In the individual market, consumers have the option of buying coverage through MNsure, a government-run platform for comparing private insurance options and applying tax credits to discount out-of-pocket premium costs.

“On average, we expect households that receive financial help through MNsure will save \$561 per month on their health insurance premiums in 2025,” MNsure CEO Libby Caulum said in a statement.

Friday’s rate release covers two distinct groups – Minnesotans covered through individual market policies and people covered by health plans for small groups.

Individual market plans are designed for people who buy their own coverage rather than receiving it through employer-based insurance or government programs such as Medicare, Medicaid and MinnesotaCare.

Average increases in the individual market for next year will range from 8.8% to 11.56% across four health plans. A fifth insurer in the market will raise rates by just 1.95%.

About 186,000 state residents currently are covered by individual policies.

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For 2025, regulators approved the following average increases for health insurers in the individual market:

- Blue Cross HMO: 11.56%
- Health Partners: 9.71%
- Medica: 1.95%
- Quartz Health Plan: 9.43%
- UCare: 8.8%

Last September, Commerce approved average rate increases for 2024 that ranged from 1.9% to 5.5% across the individual market. For 2023, premium changes ranged from a decrease of 2.3% to an increase of less than 3%.

Higher rate increases in Minnesota for next year fit national trends, said Jared Ortaliza, a research associate at KFF, a California-based health policy group.

“Insurers nationally most commonly proposed rate increases between 5% and 10%, which is in line with what most of the insurers in Minnesota ended up finalizing,” Ortaliza said.

UCare, the largest individual market carrier for people buying coverage via MNsure, said premium increases are being driven in part by higher payment rates to health care providers. In addition, there’s an “increased use of services post-pandemic and additional new services available in 2025,” UCare said in a statement.

In the small group market, where health plans are designed for employers with two to 50 workers, average rate changes will range from a decline of 6.29% to an increase of 15.82%.

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Three big players in the market, Blue Cross and Blue Shield of Minnesota, HealthPartners and UnitedHealthcare, are raising average premiums anywhere from 11% to 14.59%.

Currently, about 206,000 Minnesotans are covered by small group plans.

“Premiums reflect anticipated medical trend increases – more illness post pandemic, higher costs of care ... and new state benefit mandates,” HealthPartners said in a statement. “We’re working hard to moderate increases.”

Each year, regulators review proposed health insurance plans and rates before they can be sold to try to ensure market stability and compliance with state and federal consumer protection law. The Commerce Department does not set rates, but it determines whether rates proposed by insurers are reasonable.

“Rates must be justified both by the benefits that consumers receive for their premiums and by the insurance company’s ability to pay expected medical claims costs,” the department said in background materials. “Premium rates typically rise each year due to increasing costs and usage of medical care and prescription drugs.”

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