



March 16, 2022

Dear Members of the House Taxes Committee,

**On behalf of the Minnesota Chamber of Commerce, representing 6,300 employers and their more than 500,000 employees across the state, we appreciate the opportunity to share our thoughts about HF 11 (Schultz).**

Health insurance is an increasingly important benefit, allowing employers to attract and retain talent in the marketplace and to ensure their employees stay healthy and productive at work. The majority of Minnesota Chamber members offer health insurance to their employees. And yet, improving access to affordable health care is among the top issues Chamber members say the Legislature must address. This reflects the reality that employers – especially small employers – are struggling with the high cost of health insurance. Three-quarters of Minnesota Chamber members who currently offer health insurance to their employees report they will be forced to make significant changes to their offerings – including reductions in coverage and dropping coverage altogether – if costs continue to increase at their current rate.

We appreciate the extent to which HF 11 attempts to highlight and address the issues that many small employers have in providing health insurance coverage to their employees. The provisions included in Section 9 of the bill, in particular, would bring significant relief to small employers across the state. Allowing these employers to claim a credit against their state tax liability for a portion of the cost of providing their employees with health insurance coverage would make their efforts to maintain coverage for their employees and keep them health and productive at work much easier in the near term.

But we have significant concerns about the bill's longer-term solution to the problem of rising health care costs: a government-sponsored public health insurance option.

Government healthcare programs like Medicare, Medicaid, and MinnesotaCare pay doctors and hospitals much less than commercial health insurance plans do for medical services and procedures. As a result, health care providers' operations are subsidized by higher prices paid by those with private insurance, who pay more to offset this differential. Changing programs like MinnesotaCare, which pays health care providers significantly less than the commercial rate, into an expanded government-sponsored health insurance option that is available to any Minnesotan, regardless of income, will lead to significant financial impact on providers and hospitals – especially practices that operate on already narrow margins in rural areas and underserved communities. This, in turn, may further reduce access to critical care and services in some parts of the state. It will also lead to increased costs for those with

private coverage – whether fully-insured or self-funded – because health care providers will likely shift even more costs to these Minnesotans. These changes will only lead to increased instability in the commercial health insurance market in the state and would threaten the continued viability of the individual and small group markets in particular.

One state, Washington, has led the nation in the creation of a public option. To date, its experience in doing so has been an offering that first had to dramatically raise payment rates for providers to entice participation in the plan and, more recently, has moved to compel participation by health care providers in order to ensure sufficient access to the health care providers and services prospective enrollees would rely on. It is also an offering whose premiums well exceed those of comparable commercial plans.

While we oppose HF 11 in its current form, we nevertheless appreciate the dialogue that we have had with Rep. Schultz about this bill, and we look forward to continuing to work with her and the members of this Committee to develop proposals that will bring relief to small employers and their employees without triggering the kinds of unintended consequences that would follow from passage of HF 11.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bentley Graves", with a stylized flourish extending to the right.

Bentley Graves  
Director, Health Care & Transportation Policy