



To: Minnesota Legislators

From: Agents' Coalition for Health Reform

Re: Oppose HF96/SF49 - Public Option

The Agents' Coalition for Health Reform represents members of the Minnesota Association of Health Underwriters (MAHU), the National Association of Insurance and Financial Advisors (NAIFAMN), Professional Insurance Agents of Minnesota (PIA), and the Big I - Minnesota, which collectively represent more than 54,000 licensed agents throughout Minnesota. Our members represent 2.25 million individuals covered by private health insurance in the State of Minnesota and work with more than 80% of employers. More than any other group, insurance agents best represent the interests of health insurance consumers, who are our clients.

HF96/SF49 will eventually eliminate Minnesotan's private insurance options for your constituents in both the individual and small group markets by creating an uneven playing field by giving the government plan an unfair price advantage:

**1) Doctors & Hospitals required to finance this program:**

The biggest advantage for this "Public Option" is from the much lower reimbursement rates MinnesotaCare, and all government programs, pay to doctors and hospitals. MNCare provider rates are estimated to be somewhere between Medicaid and Medicare rates. A 2021 report from Minnesota Community Measurement shows that commercial plans pay 207% of what Medicare pays and the gap was growing. In addition, a 2016 study by Milliman commissioned by DHS indicated that the gap between MNCare and on-exchange plans was about 50%.

Due to this differential in payments, providers are forced to shift costs onto the private sector payers which further exacerbates the price disparity. Expanding the number of patients paying low reimbursement rates to these providers threatens the financial solvency of our community hospitals and clinics and must be considered by policymakers. Because commercial carriers must pay providers a higher rate, they must charge higher premiums for consumers. Medical clinics are already struggling, and forcing them into even more discounting will affect our supply of quality physicians and care providers.

**2) Limited Consumer Protections**

Private insurers are required by law to meet minimum capital requirements for solvency. HF96/SF49 has no such requirement for the state. Taxpayers are used as the backstop for program solvency.

Private insurance carriers pay the cost of compliance with numerous regulations & consumer protections such those in Chapters 62A, 62D, 62K, 62Q and 62V. MinnesotaCare does not have to comply with these laws.

**3) Lost State Revenue**

MinnesotaCare does not pay taxes that all other private insurers participating in MNsure must pay.

Private insurance will not be able to compete in the long-term with these unfair financial advantages the state creates for public programs. Ultimately, HF96/SF49 does not create more choice for consumers; it eliminates choice by eliminating private insurance options through unfair competition.