Reinsurance

Minnesota Premium Security Plan

Minnesota has a strong history of supporting the health of Minnesotans through access to affordable coverage. Dating back to 1976, Minnesota has subsidized coverage for individuals who purchase insurance coverage on their own. First, through maintaining a separate "high-risk pool" that provided subsidized coverage for individuals with high-cost healthcare needs, and most recently through a reinsurance program. While the high-risk pool formerly placed higher cost individuals in a separate insurance program, reinsurance instead effectively removes those high costs while offering the enrollee choice in where they select coverage. Removing those costs has lowered premiums by 20% on average, according to the Minnesota Department of Commerce.

Reinsurance, also referred to as the Minnesota Premium Security Plan (MPSP), is credited with more than 88,000 Minnesotans having insurance who would have otherwise gone uninsured. Many of these Minnesotans are self-employed, including contractors, farmers, and day care providers, or Minnesotans who work for small employers. The funding for this program is held in a separate account, the Premium Security Account, and the federal government has historically covered over 50% of the costs of the program. However, recent transfers out by the Legislature of $276 million in 2023 and $8.83 million in 2024 from this account to the General Fund effectively zeroed out funding for the program.

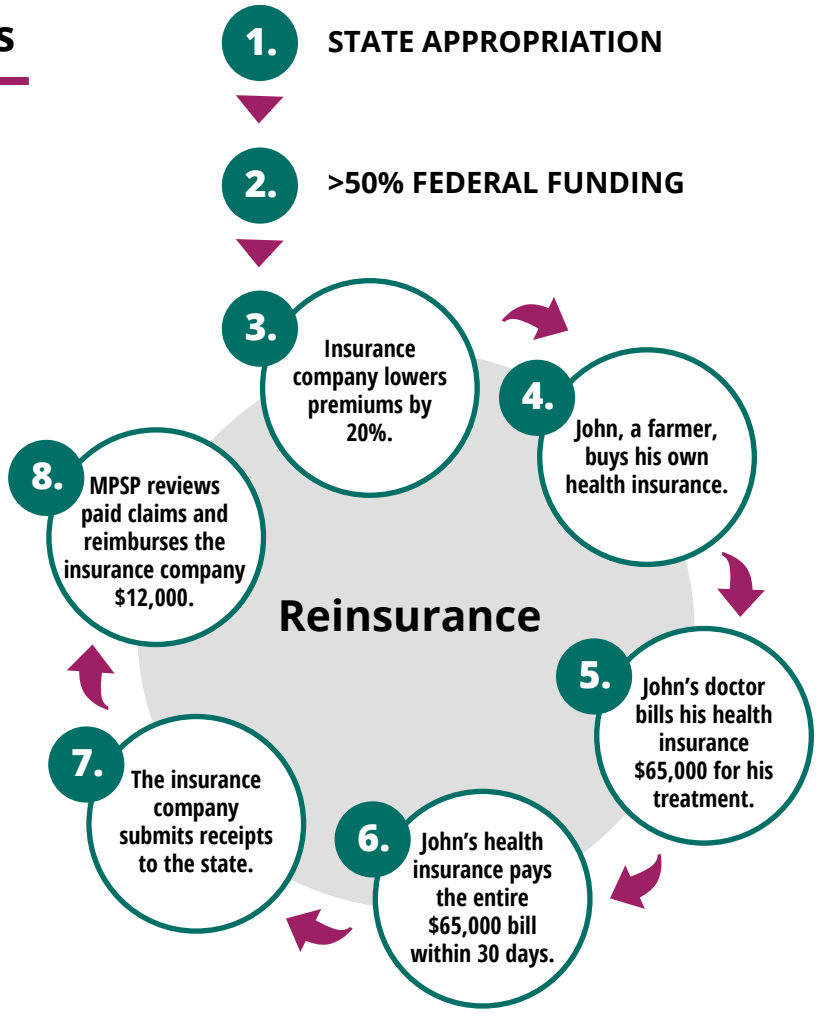
Absent action to restore funding, premiums will increase 25%+ and insurance will become unaffordable for tens of thousands of Minnesotans who will lose coverage and access to needed care.

How Reinsurance Works

Resinsurance Parameters

Claim Range[1]	Liability
$0 – $50,000	Plan Pays: 100%
$50,001 – $250,000	Plan Pays: 20% MPSP Pays: 80%
$250,001	Plan Pays[2]: 100%

(1) Claim range excludes member cost sharing
(2) Excludes impact of high-cost risk pool



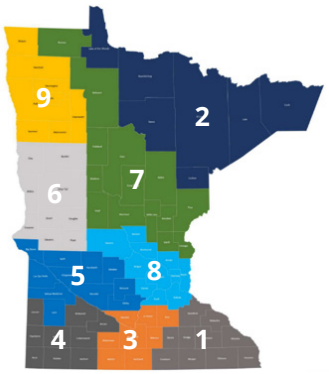
Who Reinsurance Helps

The rate approval process at the Minnesota Department of Commerce ensures that Minnesotans—not insurance companies—benefit from reinsurance.

Insurers lower premiums but still must pay providers within 30 days of receiving an invoice. The insurer then submits payment receipts to the state which works with a CPA and actuarial consultant to analyze the data and calculate reimbursement payments, which are sent to the insurer in August of the following year. Quarterly updates and yearly reports track how every dollar is used, including which conditions are the biggest cost drivers, where Minnesotans with high health care costs live in the state, and more.

The final report for 2023 included the following insights into the program's impact:

- Diabetes was the number one condition qualifying for subsidy funding (19%), followed by chronic obstructive pulmonary disease (16%), specified heart arrhythmias (13%), rheumatoid arthritis and specified autoimmune disorders (13%), metastatic cancer (12%), and heart failure (12%).
- The highest allocation of reinsurance funding is in the metropolitan area (58%), followed by the southeast corner (10%), the north central (8%), and south central (7%) areas of the state.



Region	2023 Reinsurance
1	$21,019,806
2	$9,003,510
3	$14,549,029
4	$6,441,354
5	$8,024,512
6	$7,425,855
7	$17,323,022
8	$120,725,064
9	$2,457,078
Statewide	$206,969,230

What Happens if Reinsurance is Not Extended?

Minnesotans buying insurance on their own are currently benefitting from a -20% premium impact on average. If the program expires, the impact of the loss will be even larger, with estimated **premium increases of at least +25%.** Enhanced federal subsidies are set to expire simultaneously. The *Star Tribune* referred to the situation as a looming "double whammy" for Minnesotans, but restoring funding for reinsurance can mitigate the impact.

Without action this year, as many as 93,000 Minnesotans are projected to become uninsured.

Source: RAND Health Care, *Assessing the Impact of Individual Market Reforms in Minnesota*

Minnesota Council of Health Plans

651-645-0099 | info@mnhealthplans.org | mnhealthplans.org

MedicalAlley

3/17/2025

Members of the House Health Finance and Policy Committee,

Medical Alley represents a global network of more than 800 leading health technology and care organizations with representation from all corners of the state of Minnesota. Our mission is to activate and amplify healthcare transformation.

Recognized worldwide as a leader in healthcare innovation, Minnesota sets the standard for excellence — impacting local communities and influencing global health outcomes and advancements. With access, affordability, and quality as top priorities, Medical Alley and our partners are committed to developing solutions that drive meaningful change and save lives.

Guided by these principles, Medical Alley supports HF837, the renewal of Minnesota's Premium Security Plan, or reinsurance.

The Premium Security Plan has been an important tool in bringing stability to the individual market. Since the program's inception in 2017, premiums in the individual market are roughly 25% lower than they would be otherwise without reinsurance, according to the Minnesota Department of Commerce.

Without action, the loss of this program would have serious consequences for Minnesotans' access to care. Individuals purchasing insurance independently could see significant increases in premiums, making coverage unaffordable for many. According to a RAND Health Care study, as many as 93,000 Minnesotans could become uninsured by 2026.

This loss of coverage would also put more pressure on the state's health systems, which would likely provide more uncompensated care and see an increase in patients seeking treatment for more advanced, untreated conditions.

We urge committee members to protect Minnesotans' access to affordable, high-quality healthcare by extending this critical program through plan years 2026 and 2027, without imposing additional costs on the healthcare system that could negatively impact patients.

Thank you for your consideration.

Sincerely,

Michael Morton
Interim Senior Director of Government Affairs & Policy, Medical Alley

March 17, 2025

Health Finance and Policy Committee
Minnesota House of Representatives
Saint Paul, Minnesota 55155

Dear Chair Backer, Chair Bierman, and Members of the Committee,

We are writing to express our concern over the upcoming expiration of funding for the state's reinsurance program, the Minnesota Premium Security Program, which helps over 160,000 Minnesotans afford their health care coverage. We respectfully urge you to expedite passing funding for the program early this session to avoid uncertainty and sticker shock for Minnesota families when shopping for insurance in 2026.

Minnesota has done extraordinary work to achieve and maintain one of the lowest uninsured rates in the country – even with the added challenges of the pandemic and the recent redeterminations effort. We are deeply concerned about the impact the loss of reinsurance would have on premiums, especially considering enhanced federal subsidies are set to expire at the same time. A recent Star Tribune editorial wrote about the sticker shock coming

to those who buy insurance on their own if nothing is done to extend reinsurance. Those buying insurance on their own may see premiums increase as much as 50%, resulting in an estimated 93,000 Minnesotans becoming uninsured. For those becoming uninsured, this will mean Minnesotans will delay seeking care for ongoing chronic conditions and increasing medical debt if all their care is paid out of pocket. Providers and hospital systems will see an increase in patients with untreated conditions and will provide more uncompensated care.

As the Star Tribune article points out – this loss of coverage in this market is avoidable – the legislature can and must act now to ensure that Minnesotans can continue to access the care they need. We urge your support for reinstating reinsurance funding to the Premium Security Account and continuing this vital program for plan years 2026 and 2027.

Sincerely,

Minnesota Council of Health Plans

Minnesota Chamber of Commerce

Minnesota Business Partnership

Minnesota Hospital Association

Minnesota Medical Association

National Association of Benefits & Insurance Professionals Minnesota Chapter (NABIP MN)

Minnesota Society of Interventional Pain Physicians

Minnesota Ambulatory Surgery Center Association (MNASCA)

Health Plan Partnership of Minnesota

National Federation of Independent Business (NFIB)

Twin Cities Orthopedics (TCO)

Minnesota Chiropractors Association

Medical Alley

wakely.com

Minnesota Comprehensive Health Association

2024 Third Quarter Report

Results for The Minnesota Premium Security Plan

December 6th, 2024

Prepared by:
Wakely Consulting Group

Tyson Reed, FSA, MAAA
Senior Consulting Actuary

Contents

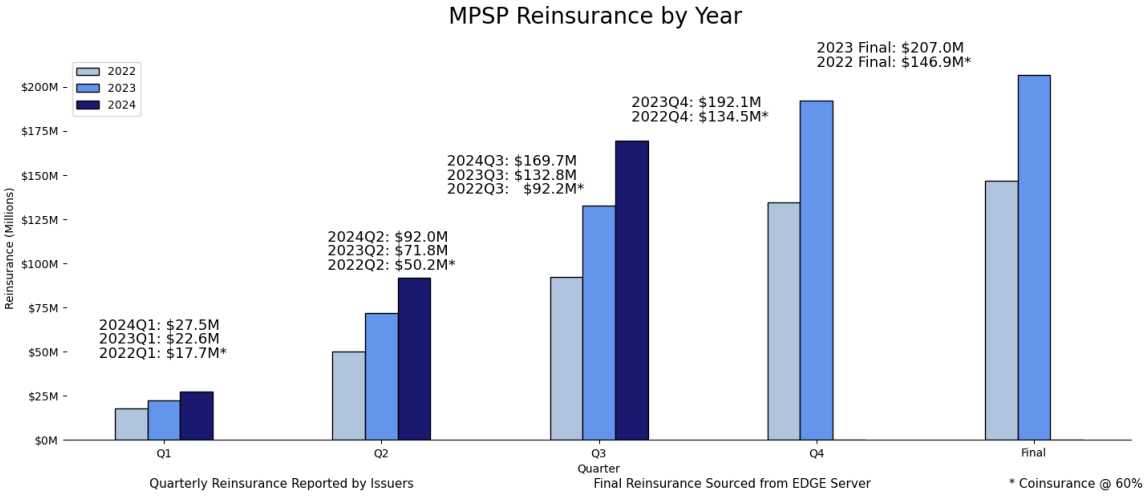
Introduction

The Minnesota Comprehensive Health Association (MCHA) retained Wakely Consulting Group, LLC, an HMA Company (Wakely) to collect data related to the Minnesota state-based reinsurance program (referred to as the Minnesota Premium Security Plan (MPSP)), review the data for reasonability, calculate the reinsurance payments to the carriers participating in the program, and provide summary reports for MCHA to distribute as appropriate to stakeholders. This report is not intended to project final year-end 2024 reinsurance amounts.

This document has been prepared for the use of MCHA and its Board of Directors. Wakely understands that this report will be made public and distributed to stakeholders beyond MCHA and its Board of Directors due to Minnesota Statutes §62E.24. Wakely does not intend to benefit third parties and assumes no duty or liability to other parties who receive this work. The report should be reviewed in its entirety. This document contains the data, assumptions, and methods used in these analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements.

Executive Summary

MPSP preliminary reinsurance amounts reported by issuers between January and September 2024 total approximately $169.7 million for 3,612 distinct enrollees. The data underlying this analysis was provided by Minnesota carriers eligible for reinsurance under MPSP. The figure below shows the reinsurance included in the 2022 through 2024 quarterly and final reports.



The total year-to-date reinsurance amount in the 2024Q3 quarterly report is approximately 27.8% higher than the reinsurance in the 2023Q3 quarterly report. Earlier quarterly 2024 reports also showed a high year-over-year trend and this trend will likely persist the remainder of 2024. The increase between 2023 and 2024 is driven by a combination of overall market growth as a result of Medicaid redetermination and regular reinsurance claim trend. The final 2024 reinsurance amounts and enrollee counts will increase significantly from the 2024Q3 values shown in this report. The final reinsurance amount will be calculated in compliance with Minnesota Statutes §62E.23 and will be based on an entire year of claim experience.

Table 1 provides enrollment and reinsurance information underlying the third quarterly reports between 2018 and 2024. The overall number of reinsurance eligible enrollees and the total reinsurance

amount increased between 2023Q3 and 2024Q3. The line labeled *Statewide 2022Q3 @ 80%* gives the reinsurance that would have been reported in 2022 if the coinsurance was 80% instead of 60%. In the table below, the percent change column is measured from the previous year except for the line labeled *Statewide 2023Q3* which is measured from the row labeled *2022Q3 @ 80%*.

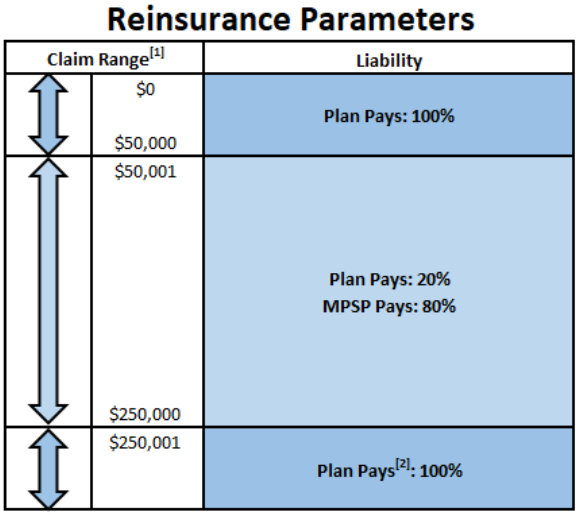
Table 1: Reinsurance Amounts and Enrollee Counts

	Distinct RI Enrollees	RI Enrollee % Change	Reported Reinsurance	Reinsurance % Change
Statewide 2024Q3	3,612	26.6%	$169,651,333	27.8%
Statewide 2023Q3	2,853	10.7%	$132,754,619	8.0%
Statewide 2022Q3 @ 80%	*2,577*	*4.7%*	*$122,897,292*	*1.7%*
Statewide 2022Q3 @ 60%	2,577	4.7%	$92,172,969	-23.7%
Statewide 2021Q3	2,462	17.1%	$120,786,654	25.3%
Statewide 2020Q3	2,103	2.0%	$96,435,053	2.7%
Statewide 2019Q3	2,061	10.5%	$93,934,156	11.6%
Statewide 2018Q3	1,865	-	$84,193,971	-

The remainder of this report provides a description of the methodology, additional breakout of reinsurance by region, metal level, and other various reporting variables, along with associated caveats and disclosures.

Methodology

Carriers participating in Minnesota's non-grandfathered individual commercial market provided Wakely with January through Sepetember 2024 claim experience with paid dates through October 2024 in a template developed by Wakely. The template included both enrollment and claim experience at the carrier level. The template also included enrollee-level data for Minnesotans enrolled in the individual market that carriers identified with claims above the attachment point of $50,000. Wakely then aggregated these templates and calculated reinsurance payments using the reinsurance parameters shown in the figure to the left. Wakely validated this amount against the carrier provided calculations.



The enrollee-level data supplied by carriers accounted for movement between HIOS plan identifiers. For example, under certain circumstances, an enrollee might have been enrolled in both a silver and gold plan for a portion of the benefit year. This transferring does not impact results when reporting at a carrier level; however, when reporting at a more granular level (e.g. metal), reported results may change depending on the allocation method. For this report, Wakely allocated reinsurance estimates for enrollees transferring between cohorts based on incurred claims within that time period. For example if 75% of an enrollee's claims occurred in a silver plan and 25% occurred in a gold plan, then 75% of the reinsurance for the individual was allocated to the silver plan and 25% to the gold plan.

Market Changes

Starting January 1st, 2021, Quartz entered the individual market in five southeastern counties. Appendix C of this report includes Quartz; however, the 2018 through 2020 reports do not.

As of January 1st, 2024, PreferredOne no longer offers products in the individual market.

Analysis

This section provides additional detail for the reinsurance amount shown in Table 1. The distribution total in the following tables may not add to 100% due to rounding. The 2020 through 2023 final distributions are shown next to the 2024Q3 distribution in Tables 3 through 6 for reference.

Reinsurance by First Quarter in Report

The table below shows the enrollee count and estimated reinsurance by the quarter an enrollee first became eligible for reinsurance in 2024. For example, if an individual is in the 2024Q3 data template but not the 2024Q2 data template, then he or she is included in the 2024Q3 line. This table illustrates how much of the increase in reinsurance between quarterly reports is attributed to individuals first exceeding the attachment point and individuals that first appeared in prior quarters incurring additional claims.

Table 2: Reinsurance Amount by Enrollee's First 2023 Report

		Reinsurance by Quarter			
Cohort	Enrollees	2024Q1	2024Q2	2024Q3	2024 YTD
2024Q1	776	$27,470,626	$29,413,424	$13,869,742	**$70,753,793**
2024Q2	1,261	n/a	$35,163,302	$29,351,819	**$64,515,122**
2024Q3	1,575	n/a	n/a	$34,382,419	**$34,382,419**
Total	**3,612**	**$27,470,626**	**$64,576,726**	**$77,603,981**	**$169,651,333**

1. Reinsurance amounts increased by approximately $77.6 million between the 2024Q2 and 2024Q3 reports. This is in comparison to the $61.0 million increase between the 2023Q2 and 2023Q3 report.

2. There were a total of 1,575 new reinsurance eligible enrollees in the 2024Q3 report with approximately $34.4 million in reinsurance. In comparison, during 2023Q3 there were 1,288 new reinsurance eligible enrollees with approximately $28.0 million in reinsurance.

Reinsurance by Area

The table in this section shows the amount of reinsurance for each of Minnesota's nine rating regions. A list of counties in each rating area can be found on either the CMS website.

Table 3: Reinsurance Amount by Area

Rate Region	2024Q3 Reinsurance	2024Q3 Dist'n	2023 Dist'n	2022 Dist'n	2021 Dist'n	2020 Dist'n
Rating Area 1	$16,010,129	9%	10%	10%	11%	11%
Rating Area 2	$8,489,692	5%	4%	5%	6%	6%
Rating Area 3	$11,211,303	7%	7%	6%	7%	7%
Rating Area 4	$3,875,336	2%	3%	3%	3%	2%
Rating Area 5	$6,518,146	4%	4%	5%	5%	4%
Rating Area 6	$5,184,065	3%	4%	4%	4%	5%
Rating Area 7	$15,466,200	9%	8%	8%	9%	7%
Rating Area 8	$100,425,294	59%	58%	58%	56%	57%
Rating Area 9	$2,471,168	1%	1%	1%	1%	1%
Statewide	**$169,651,333**	**100%**	**100%**	**100%**	**100%**	**100%**

Reinsurance by Metal Level

The table in this section provides the reinsurance and distribution by metal tier. There are four different metal tiers in the Individual market which reflect different levels of cost sharing an enrollee is expected to pay. The leanest is the bronze plan where an enrollee can expect to pay for about 40% of his or her total medical costs out of pocket in the form of cost sharing such as deductibles, coinsurance, and copays. The richest plan type is the platinum tier where an enrollee can expect to pay approximately 10% of total costs out of pocket. There is a fifth tier called Catastrophic with enrollment limited to enrollees who are eligible for a hardship exemption or are under the age of 30.

Due to the cost sharing levels of the different metal types, the distribution may shift between metal levels as 2024 completes.

Table 4: Reinsurance Amount by Metal Tier

Metal Tier	2024Q3 Reinsurance	2024Q3 Dist'n	2023 Dist'n	2022 Dist'n	2021 Dist'n	2020 Dist'n
Catastrophic	$3,842,117	2%	1%	1%	0%	1%
Bronze	$60,273,447	36%	40%	44%	48%	45%
Silver	$50,766,377	30%	28%	28%	26%	29%
Gold	$54,305,476	32%	30%	26%	25%	25%
Platinum	$463,917	0%	0%	0%	0%	1%
Total	**$169,651,333**	**100%**	**100%**	**100%**	**100%**	**100%**

Reinsurance by Exchange Status

This section provides the reinsurance based on whether the enrollee purchased coverage through Minnesota's Exchange, MNSure, or directly through the issuer.

Table 5: Reinsurance Amount by Exchange Status

Exchange Status	2024Q3 Reinsurance	2024Q3 Dist'n	2023 Dist'n	2022 Dist'n	2021 Dist'n	2020 Dist'n
On-Exchange	$199,448,051	70%	69%	69%	67%	69%
Off-Exchange	$50,203,282	30%	31%	31%	33%	31%
Total	**$169,651,333**	**100%**	**100%**	**100%**	**100%**	**100%**

Reinsurance by Plan Type

This section provides reinsurance amounts by plan type. In the Affordable Care Act, some individuals and families qualify for cost-sharing reduction subsidies (CSR) which lower out-of-pocket costs. There are several different levels of CSRs. The first is 73% which reduces the individual's out-of-pocket cost to approximately 27% (= 1 - 73%) of total medical costs. There are CSR plans available at the 87% and 94% level as well. CSR plans are only available on the Exchange. Finally, there are limited cost-sharing and zero cost-sharing plans for American Indians and Alaska Natives.

Table 6: Reinsurance Amount by Plan Type

Plan Type	2024Q3 Reinsurance	2024Q3 Dist'n	2023 Dist'n	2022 Dist'n	2021 Dist'n	2020 Dist'n
Standard	$155,625,545	92%	93%	93%	92%	90%
Zero CS	$595,920	0%	0%	0%	0%	0%
Limited CS	$663,782	0%	0%	0%	0%	0%
73% CSR	$12,766,087	8%	6%	7%	7%	9%
94% CSR	$0	0%	0%	0%	1%	0%
Total	**$169,651,333**	**100%**	**100%**	**100%**	**100%**	**100%**

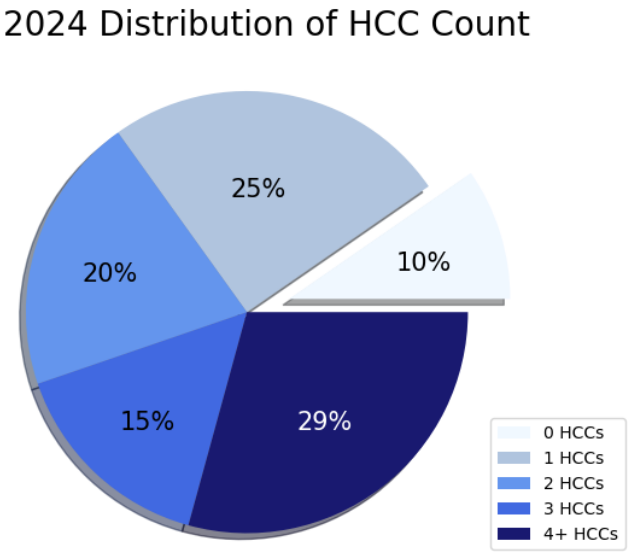
Reinsurance by Claim Spend

Please see Appendix A for reinsurance by claim spend level.

Distribution of HCC Count

Minnesota carriers provided hierarchical condition categories (HCC) data by individual as part of the data submission to Wakely. HCCs are used by CMS as part of the risk adjustment process that transfers money in the Individual market from carriers that enrolled a healthier population to carriers that enrolled a sicker population. An individual is assigned to an HCC based on his or her medical diagnostic history during the benefit year. For example, if an enrollee fractures his or her hip in an accident, the doctor would code the medical claim with a hip fracture diagnosis code. That diagnosis code then identifies that individual in the *Hip Fractures and Pathological Vertebral or Humerus Fractures* condition category (HCC226).

There are diagnosis codes that do not map to an HCC. As a result, even though an individual may have a claim, he or she may not be assigned to an HCC. Enrollees can have more than one HCC in a year. Typically, the more HCCs an individual has, the sicker and more costly he or she is. As a general rule of thumb, approximately 20% of the Individual market population is assigned to an HCC. In other words, 80% of the general individual population does not have an HCC. In comparison, only 10% of the reinsurance population does not have an HCC and 90% have at least one HCC. These enrollees



may have experienced a traumatic accident with a diagnosis code that is not used in the HCC model.

The HCC model is hierarchical and similar conditions are grouped together. For example, diabetes has three HCCs: Diabetes with Acute Complications (HCC019), Diabetes with Chronic Complications (HCC020), and Diabetes without Complication (HCC021). An enrollee with a diagnosis code in both HCC019 and HCC021 would be only classified as HCC019 to avoid double counting. Finally, all diabetic HCCs are grouped together in the Diabetic Group (G01). Similar hierarchies and groupings exist for other conditions.

The chart on the previous page shows the distribution of HCCs for the statewide reinsurance population. HCC counts and risk scores are dependent on how long an individual is enrolled during the year. An individual with 12 months of enrollment typically has more conditions identified than an individual with 9 months of enrollment.
As such, the distribution shown in this report may change in future reports as 2024 completes. The table below provides the final HCC count distribution by reinsurance year.

Table 7: HCC Distribution by Year

HCC Count	2024Q3	2023	2022	2021	2020	2019
0 HCCs	10%	9%	9%	8%	10%	9%
1 HCC	25%	28%	27%	26%	28%	29%
2 HCCs	20%	21%	22%	21%	21%	22%
3 HCCs	15%	15%	13%	15%	14%	13%
4+ HCCs	29%	27%	29%	30%	27%	27%

Appendix B gives the list of the most prevalent HCCs and groupings during benefit year 2024 for enrollees eligible for reinsurance.

Reinsurance by Product

Appendix C gives the amount of reinsurance and number of claimants that exceeded $50,000 in claims by product and Exchange status. To define product, Wakely used the first ten digits of the HIOS plan identifier and requested that issuers provide a product name associated with the product identifier. For the column labeled *Claimants*, an enrollee may be double counted if he or she transferred between products during the experience period. As a result, the claimant count in Appendix C may not match the enrollee count in Table 1. The column labeled *Claimants* shows "*<100*" for product and Exchange-status combinations with less than 100 claimants for protected health information (PHI) reasons. Multiple issuers updated the on- and off-Exchange mapping in the data they provided to Wakely between the 2019Q2 and 2019Q3 reports. As a result, the values shown in Appendix C for the 2024Q3 report are not directly comparable to the values in reports prior to 2019Q2.

2024 Considerations

This section discusses changes occurring during 2023 and 2024 that impact reinsurance and trends.

1. **Medicaid Redetermination** - Starting April 2023, Minnesota resumed the regular renewal process for Medicaid eligibility which had been suspended due to the public health emergency and Medicaid enrollment started decreasing in July 2023. As a result, some Medicaid recipients transitioned to the individual market. All else equal, the transition between markets will increase reinsurance in 2024 relative to 2023. This is especially pronounced during the beginning of 2024 because this transitioning cohort was still enrolled in Medicaid during the beginning of 2023.

The transition to the individual market continued into 2024Q2 given a significant portion of Medicaid enrollees went through the renewal process during 2024Q1 and their individual market enrollment became effectuated during 2024Q2.

2. **Change Healthcare Data Breach** - The Change Healthcare data breach temporarily slowed down claim processing during 2024Q1 for issuers nationwide. While the slow down of claim processing should not impact the total amount of reinsurance for benefit year 2024, it may impact when reinsurance is reported throughout the year as the back log of claims is processed.

Deductible Leveraging

In a reinsurance setting, trends for a reinsurer can be higher than the overall cost trend of the reinsured entity due to deductible leveraging. Deductible leveraging occurs when the underlying claim costs for the insurer increases at a rate higher than the increase in the deductible. In context of MPSP, the words attachment point and deductible are synonymous. The example below shows the calculation of liability for an insurance company that has an enrollee with $55,000 in total claims using MPSP's $50,000 attachment point and 20% coinsurance. This example is for illustrative purposes only and does not represent an analysis of the impact of deductible leveraging for MPSP.

Table 8: Deductible Leveraging Example

Description	Amount	Formula	Payer
Deductible	$50,000	min{$55,000, $50,000}	Issuer
Coinsurance	$1,000	($55,000 - $50,000)× 20%	Issuer
Reinsurance	$4,000	($55,000 - $50,000)× 80%	Reinsurer

If the claim increases by 1% because of regular cost trends, then the cost of the claim is now $55,550 (= $55,000 × 1.01), but the cost to the reinsurer increases by approximately 11.0% (= $\frac{\$4,440}{\$4,000}$ - 1). This is shown in the next table.

Table 9: Deductible Leveraging Example – Trended

Description	Amount	Formula	Payer
Deductible	$50,000	min{$55,550, $50,000}	Issuer
Coinsurance	$1,110	($55,550 - $50,000)× 20%	Issuer
Reinsurance	$4,440	($55,550 - $50,000)× 80%	Reinsurer

The impact of deductible leveraging is minimally off-set by a reinsurance cap since the reinsurer is no longer liable for additional costs exceeding the reinsurance cap. Deductible leveraging can impact both the number of enrollees eligible for reinsurance and the average cost of reinsurance per reinsurance eligible enrollee. The overall deductible leveraging trend depends both on the proportion of claims for enrollees exceeding the attachment point and the total change in costs for enrollees exceeding the attachment point.

Data Review

Wakely compared the portion of enrollees with claims above the attachment point underlying the carrier submitted templates against the claim continuance table located in the actuarial report in Minnesota's 1332 Waiver.[1] In the comparison, the actual portion of enrollees with claims above the attachment point was lower than the portion of enrollees with claims above the attachment point.

[1] Minnesota 1332 Waiver Application - Table App-2 (Pg 132 of 154)

This is likely caused by the underlying carrier data being based on a partial year of experience with limited claim runout. For example, the enrollee-level dataset excludes enrollees that will exceed the attachment point because of claims that are incurred between October and December 2024.

State Mandated Benefits

Wakely did not adjust the reinsurance calculation methodology for state mandated benefits at the direction of MCHA. Wakely's understanding is that issuers and Minnesota Department of Commerce (DoC) will make the appropriate adjustments when issuers submit data to DoC for reimbursement.

Disclosures and Limitations

Responsible Actuary. I, Tyson Reed, am responsible for this communication. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to issue this report.

Intended Users. This information has been prepared for the use of the management of MCHA. Wakely understands that the report will be made public and distributed to other stakeholders. Distribution to such parties should be made and evaluated in its entirety. The parties receiving this report should retain their own actuarial experts in interpreting results.

Risks and Uncertainties. The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from Wakely's estimates. Wakely does not warrant or guarantee that Minnesota carriers will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. Wakely provides actuarial services to a variety of clients throughout the health industry. Wakely's clients include commercial, Medicare, and Medicaid health plans, the federal government and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving Wakely's clients. I am financially independent and free from conflict concerning all matters related to performing the actuarial services underlying these analyses. In addition, Wakely is organizationally and financially independent of MCHA.

Data and Reliance. I have relied on others for data and assumptions used in the assignment. I have reviewed the data for reasonableness, but I have not performed any independent audit or otherwise verified the accuracy of the data / information. If the underlying information is incomplete or inaccurate, my estimates and calculations may be impacted, potentially significantly. The information included in the other sections identifies the key data and assumptions.

Subsequent Events. Material changes in state or federal laws regarding health benefit plans and other externalities may have a material impact on the results included in this report. I am not aware of any additional subsequent events that would impact the results of this analysis.

Contents of Actuarial Report. This document constitutes the entirety of the actuarial report and supersedes any previous communications provided to MCHA for Benefit Year 2024.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of my knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

- ASOP No. 1, Introductory Actuarial Standard of Practice
- ASOP No. 23, Data Quality
- ASOP No. 41, Actuarial Communication
- ASOP No. 56, Modeling

Signed,

Tyson Reed, FSA, MAAA
Consulting Actuary
612.428.0371 | Tyson.Reed@wakely.com

Appendix A - Reinsurance Amount by Claim Spend Level

2024Q3 Reinsurance Amount by Claim Spend Level

Two Rows Reported at Total Levels Due to Limited Enrollment in Each Cohort

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
$50,000	$52,508	207	$51,159	$927	$191,945
$52,508	$58,498	425	$55,508	$4,406	$1,872,670
$58,498	$119,795	1,934	$80,671	$24,537	$47,454,327
$119,795	$200,000	558	$151,754	$81,403	$45,422,888
$200,000	$9,999,999	488	$360,981	$153,093	$74,709,504
Total		**3,612**	**$124,872**	**$46,969**	**$169,651,333**

2023 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
$50,000	$52,508	226	$51,213	$970	$219,250
$52,508	$58,498	464	$55,385	$4,308	$1,998,995
$58,498	$119,795	2,232	$81,337	$25,070	$55,955,519
$119,795	$200,000	690	$152,757	$82,205	$56,721,698
$200,000	$9,999,999	600	$377,200	$153,456	$92,073,769
Total		**4,212**	**$130,707**	**$49,138**	**$206,969,230**

Notes:

1. Average Reinsurance Per Enrollee = min{(Average Incurred Claims - $50,000) × 80%, $160,000}.
2. The claim intervals originate from the 1332 Waiver Application.

Appendix A (Cont.) - Reinsurance Amount by Claim Spend Level

2022 Final Reinsurance Amount by Claim Spend Level (60% Coinsurance)

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
$50,000	$52,508	208	$51,236	$741	$154,216
$52,508	$58,498	417	$55,510	$3,306	$1,378,641
$58,498	$119,795	2,030	$81,153	$18,692	$37,944,165
$119,795	$200,000	697	$151,927	$61,156	$42,625,681
$200,000	$9,999,999	567	$371,412	$114,278	$64,795,526
Total		**3,919**	**$131,418**	**$37,484**	**$146,898,229**

Notes:

1. Average Reinsurance Per Enrollee = min{(Average Incurred Claims - $50,000) × 60%, $120,000}.
2. The claim intervals originate from the 1332 Waiver Application.

Appendix A (Cont.) - Reinsurance Amount by Claim Spend Level

2021 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
$50,000	$52,508	214	$51,224	$979	$209,496
$52,508	$58,498	412	$55,285	$4,228	$1,741,935
$58,498	$119,795	1,898	$80,942	$24,754	$46,982,433
$119,795	$200,000	677	$152,573	$82,058	$55,553,530
$200,000	$9,999,999	561	$363,647	$152,148	$85,355,191
Total		**3,762**	**$131,490**	**$50,463**	**$189,842,585**

2020 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
$50,000	$52,508	155	$51,198	$958	$148,534
$52,508	$58,498	354	$55,457	$4,365	$1,545,383
$58,498	$119,795	1,761	$80,824	$24,659	$43,424,822
$119,795	$200,000	557	$153,704	$82,963	$46,210,511
$200,000	$9,999,999	452	$349,424	$152,392	$68,881,102
Total		**3,279**	**$126,091**	**$48,860**	**$160,210,351**

Notes:

1. Average Reinsurance Per Enrollee = min{(Average Incurred Claims - $50,000) × 80%, $160,000}.
2. The claim intervals originate from the 1332 Waiver Application.

Appendix A (Cont.) - Reinsurance Amount by Claim Spend Level

2019 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
$50,000	$52,508	177	$51,219	$975	$172,613
$52,508	$58,498	389	$55,448	$4,358	$1,695,271
$58,498	$119,795	1,678	$80,984	$24,787	$41,592,460
$119,795	$200,000	527	$152,994	$82,395	$43,422,371
$200,000	$9,999,999	412	$374,574	$152,373	$62,777,520
Total		**3,183**	**$126,132**	**$47,019**	**$149,660,234**

2018 Final Reinsurance Amount by Claim Spend Level

Incurred Claims		Enrollee Count	Average Incurred Claims Per Enrollee	Average Reinsurance Per Enrollee	Aggregate Reinsurance
Low Range	High Range				
$50,000	$52,508	173	$51,263	$1,010	$174,801
$52,508	$58,498	359	$55,413	$4,330	$1,554,606
$58,498	$119,795	1,513	$81,257	$25,005	$37,833,247
$119,795	$200,000	522	$150,761	$80,609	$42,077,922
$200,000	$9,999,999	358	$360,572	$152,190	$54,483,936
Total		**2,925**	**$122,901**	**$46,538**	**$136,124,512**

Notes:

1. Average Reinsurance Per Enrollee = min{(Average Incurred Claims - $50,000) × 80%, $160,000}.
2. The claim intervals originate from the 1332 Waiver Application.

Appendix B - Enrollee Count by HCC

Limited to HCCs with at least 100 Enrollees

			2024Q3		2023Q3	
Rank	**HCC**	**HCC Description**	**Enrollee Count[1]**	**% of Reinsurance Eligible Enrollees**	**Enrollee Count[1]**	**% of Reinsurance Eligible Enrollees**
1	G01	Diabetes	767	21%	511	18%
2	HCC008	Metastatic Cancer	508	14%	428	15%
3	G08	Disorders of the Immune Mechanism	462	13%	272	10%
4	HCC142	Specified Heart Arrhythmias	443	12%	348	12%
5	HCC130	Heart Failure	438	12%	339	12%
6	HCC056	Rheumatoid Arthritis and Specified Autoimmune Disorders	438	12%	330	12%
7	G13	Respiratory Arrest; Cardio-Respiratory Failure and Shock, Including Respiratory Distress Syndromes	375	10%	275	10%
8	G15A	Chronic Obstructive Pulmonary Disease, Including Bronchiectasis; Severe Asthma; Asthma, Except Severe	334	9%	242	8%
9	HCC075	Coagulation Defects and Other Specified Hematological Disorders	325	9%	202	7%
10	HCC023	Protein-Calorie Malnutrition	311	9%	219	8%
11	HCC002	Septicemia, Sepsis, Systemic Inflammatory Response Syndrome/Shock	310	9%	258	9%
12	G15	Asthma; Chronic Obstructive Pulmonary Disease, Including Bronchiectasis	291	8%	151	5%
13	HCC009	Lung, Brain, and Other Severe Cancers, Including Pediatric Acute Lymphoid Leukemia	282	8%	200	7%
14	HCC048	Inflammatory Bowel Disease	278	8%	194	7%
15	G02A	Mucopolysaccharidosis; Metabolic Disorders; Endocrine Disorders	261	7%	185	6%

1. An enrollee may have multiple HCCs and could be double counted if combining enrollee counts between HCCs.

Appendix B (Cont.) - Enrollee Count by HCC

Limited to HCCs with at least 100 Enrollees

			2024Q3		2023Q3	
Rank	**HCC**	**HCC Description**	**Enrollee Count[1]**	**% of Reinsurance Eligible Enrollees**	**Enrollee Count[1]**	**% of Reinsurance Eligible Enrollees**
16	HCC253	Artificial Openings for Feeding or Elimination	210	6%	167	6%
17	HCC012	Breast (Age 50+) and Prostate Cancer, Benign/Uncertain Brain Tumors, and Other Cancers and Tumors	207	6%	181	6%
18	HCC156	Pulmonary Embolism and Deep Vein Thrombosis	196	5%	158	6%
19	HCC088	Major Depressive and Bipolar Disorders	192	5%	133	5%
20	HCC120	Seizure Disorders and Convulsions	187	5%	148	5%
21	HCC115	Myasthenia Gravis/Myoneural Disorders and Guillain-Barre Syndrome/Inflammatory and Toxic Neuropathy	182	5%	166	6%
22	HCC131	Acute Myocardial Infarction	150	4%	126	4%
23	HCC045	Intestinal Obstruction	140	4%	<100	-
24	HCC118	Multiple Sclerosis	104	3%	<100	-
25	HCC163	Aspiration and Specified Bacterial Pneumonias and Other Severe Lung Infections	103	3%	<100	-
26	HCC125	Respirator Dependence/Tracheostomy Status	102	3%	<100	-

1. An enrollee may have multiple HCCs and could be double counted if combining enrollee counts between HCCs.

Appendix C - Estimated Reinsurance Amount and Claimants by Product

Carrier	Product ID	Product Name	Exchange Status	Claimants	Reinsurance
Blue Plus	57129MN054	Blue Plus Southeast Minnesota	On-Exchange	586	$22,513,042
Blue Plus	57129MN053	Blue Plus Southeast Minnesota	Off-Exchange	288	$13,475,614
Blue Plus	57129MN009	Blue Plus	On-Exchange	115	$5,094,898
Blue Plus	57129MN015	Blue Plus Southeast MN	On-Exchange	<100	$4,526,371
Blue Plus	57129MN008	Blue Plus	Off-Exchange	104	$3,667,979
Blue Plus	57129MN014	Blue Plus Southeast MN	Off-Exchange	<100	$1,900,961
HealthPartners	79888MN031	Individual Product 3 - NG	Off-Exchange	397	$22,114,168
HealthPartners	79888MN030	Individual Product 2 - NG	On-Exchange	417	$18,692,149
HealthPartners	79888MN032	Individual Product 4 - NG - Reformized	Off-Exchange	<100	$373,104
Medica	31616MN044	Engage by Medica	On-Exchange	171	$8,955,292
Medica	31616MN042	Medica Applause	On-Exchange	153	$6,252,247
Medica	31616MN042	Medica Applause	Off-Exchange	<100	$3,854,100
Medica	31616MN044	Engage by Medica	Off-Exchange	<100	$2,246,779
Medica	31616MN047	Bold by M Health Fairview and Medica	On-Exchange	<100	$2,051,148
Medica	31616MN049	Essentia Choice Care with Medica	On-Exchange	<100	$1,263,082
Medica	31616MN047	Bold by M Health Fairview and Medica	Off-Exchange	<100	$1,070,065
Medica	31616MN043	North Memorial Acclaim by Medica	On-Exchange	<100	$881,587
Medica	31616MN045	Altru Prime by Medica	On-Exchange	<100	$711,835
Medica	31616MN021	Medica Value	Off-Exchange	<100	$561,779
Medica	31616MN049	Essentia Choice Care with Medica	Off-Exchange	<100	$474,920
Medica	31616MN046	Ridgeview Distinct by Medica	On-Exchange	<100	$407,236

1. Products with less than 100 claimants are labeled as < 100 due to protected health information (PHI) reasons.

2. The *Claimants* column counts enrollees that transfer between products more than once. As a result, the total claimants in this section may differ from the enrollee count shown in Table 1.

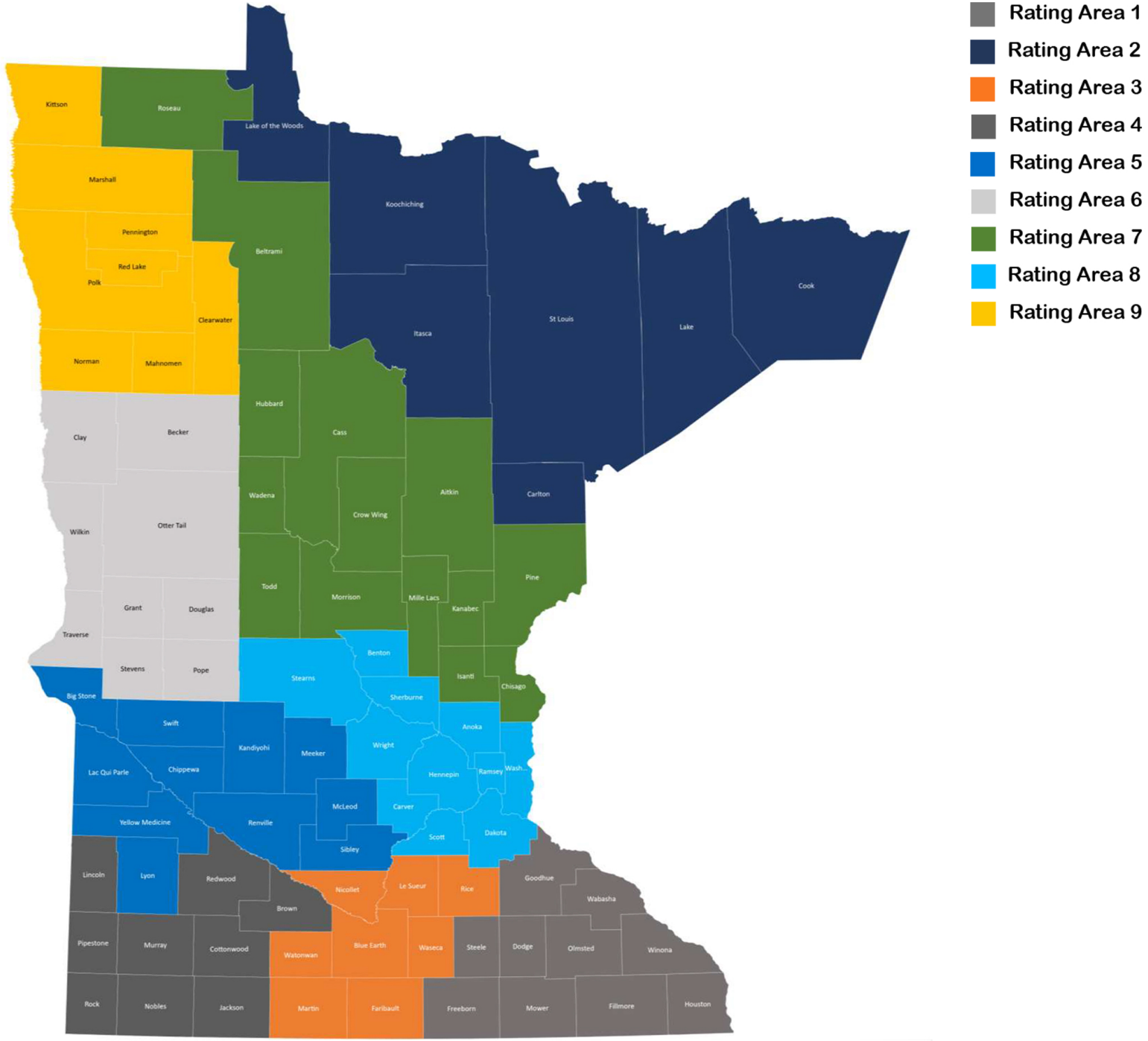
Appendix C (Cont.) - Estimated Reinsurance Amount and Claimants by Product

Carrier	Product ID	Product Name	Exchange Status	Claimants[2]	Reinsurance
Medica	31616MN020	Medica Symphony	Off-Exchange	<100	$324,816
Medica	31616MN043	North Memorial Acclaim by Medica	Off-Exchange	<100	$80,655
Medica	31616MN045	Altru Prime by Medica	Off-Exchange	<100	$50,216
Medica	31616MN019	Medica Encore	Off-Exchange	<100	$8,126
Quartz	70373MN004	Individual HMO	On-Exchange	<100	$1,202,647
Quartz	70373MN005	Individual Product Two	On-Exchange	<100	$916
UCare	85736MN023	UCare IFP	On-Exchange	973	$46,895,602
			Total (All Carriers)	**3,617**	**$169,651,333**

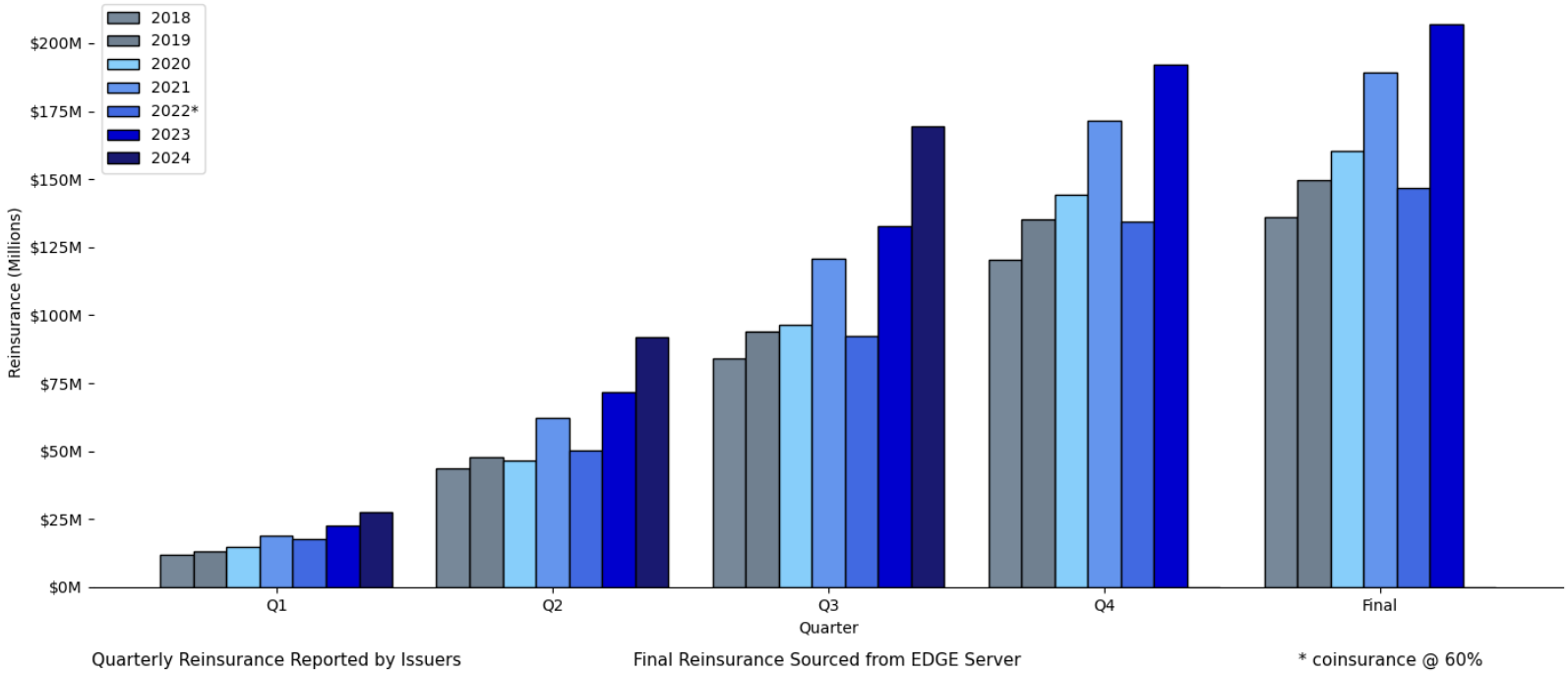
Notes:

1. Products with less than 100 claimants are labeled as < 100 due to protected health information (PHI) reasons.
2. The *Claimants* column counts enrollees that transfer between products more than once. As a result, the total claimants in this section may differ from the enrollee count shown in Table 1.

Appendix D - Minnesota Rating Regions



Appendix E - Reinsurance Amount by Year



Year	Q1	Q2	Q3	Q4	Final
2018	$11,808,390	$43,818,826	$84,193,971	$120,550,274	$136,124,512
2019	$12,984,218	$47,591,361	$93,934,156	$135,156,340	$149,660,234
2020	$14,744,769	$46,588,262	$96,435,053	$144,284,597	$160,210,351
2021	$18,842,799	$62,200,701	$120,786,654	$171,606,114	$189,308,067
2022*	$17,714,256	$50,208,769	$92,172,969	$134,515,213	$146,898,229
2023	$22,648,993	$71,796,199	$132,754,619	$192,098,610	$206,969,230
2024	$27,470,626	$92,047,353	$169,651,333		

Congress of the United States
Washington, DC 20510

March 17, 2021

Elizabeth Richter
Acting Administrator
Centers for Medicare and Medicaid Services
200 Independence Avenue
Washington, DC 20002

Dear Acting Administrator Richter:

We write to respectfully request your consideration of Minnesota's recent request to review the Centers for Medicare and Medicaid Services' (CMS) September 2017 decision to partially deny the state's Section 1332 State Innovation Waiver regarding MinnesotaCare, the state's Basic Health Program (BHP).

Minnesota has long been a national leader in health care and medical innovation and is one of only two states that has established a BHP. MinnesotaCare served 75,000 Minnesotans on average during 2019 and is a vital source of health coverage for people who may not otherwise have access to health insurance.

However, as the February 5 letter from Minnesota Department of Human Services Commissioner Jodi Harpstead and Minnesota Department of Commerce Commissioner Grace Arnold indicates, CMS' decision to only partially approve the state's 1332 waiver in 2017 has resulted in Minnesota receiving significantly less annual federal pass-through funding than was previously expected. According to the Minnesota Department of Human Services, between 2018 and 2020, the state of Minnesota has lost over $49 million in federal funding due to the partial denial of the waiver.[1]

We know that access to quality health care is more important than ever in light of the coronavirus pandemic—which has infected hundreds of thousands of Minnesotans and disrupted access to employer-based health coverage. On behalf of our constituents, we urge you to consider the state of Minnesota's request to reassess the decision made in 2017 regarding partial denial of its waiver application as soon as possible.

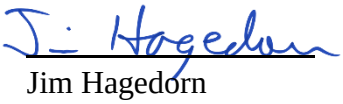
Thank you for your prompt attention to this critically important matter.

Sincerely,

Amy Klobuchar
United States Senator

Tina Smith
United States Senator

[1] Estimates provided by the Minnesota Department of Human Services.

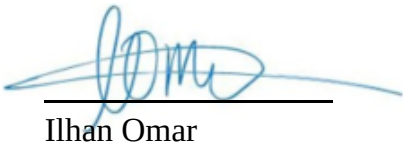


Jim Hagedorn
Member of Congress

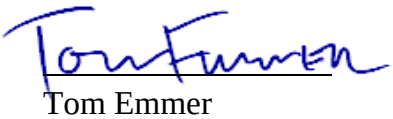
Angie Craig
Member of Congress

Dean Phillips
Member of Congress

Betty McCollum
Member of Congress



Ilhan Omar
Member of Congress



Tom Emmer
Member of Congress

Michelle Fischbach
Member of Congress

Pete Stauber
Member of Congress

Re: Modifications needed to any extension of Minnesota's reinsurance program (HF 837)

March 14, 2025

Dear Chair Backer and members of the House Health Committee,

We are writing today to express our deep concern over the proposal to extend the state's reinsurance program with a $512 million transfer from the general fund (HF 837). Since 2017, Minnesota has authorized over $1 billion for a state-funded reinsurance program to lower health insurance premiums for Minnesotans who purchase health care insurance on the individual market. Over time, Minnesota has become a national outlier in the scale of public subsidy for its reinsurance program.

We urge you to consider the following concerns and recommendations:

Protections for MinnesotaCare

Under the first Trump administration, Minnesota was penalized due to its reinsurance program and lost over $500 million in federal cuts to MinnesotaCare.[1] The state had to backfill this funding until the Biden administration issued a legal interpretation that protected federal funding for MinnesotaCare. We must be prepared for the Trump administration to revert to its previous interpretation. Therefore, it is unacceptable and fiscally irresponsible to proceed with any extension of reinsurance that does not explicitly protect MinnesotaCare from federal cuts. Protections must be codified to prevent future penalties.

Budget Impacts and Funding Mechanism

This proposal would spend $512 million, approximately two-thirds of the projected budget surplus, when there are many other pressing needs in the state and when the state's budget forecast shows challenging times ahead. **Minnesota has spent far more taxpayer dollars on reinsurance, allocating 2 to 20 times more funding than many states. Our state is also one of the few that pays for reinsurance through state general funds**.[2] Most states pay for reinsurance through fees on insurance companies. Health insurance companies in our state have been profitable and have the means to pay for an extension of this program.

Federal Action

Without federal action to renew enhanced premium tax credits set to expire this year, premiums for Minnesotans who buy health insurance on the individual market will skyrocket in 2026, with or without reinsurance. The impact of reinsurance will not be enough to allow many Minnesotans who lose federal assistance to stay insured.

We urge state lawmakers to engage Minnesota's congressional delegation to renew enhanced premium tax credits. The expiration of enhanced premium tax credits will especially impact households earning more than 400% of the federal poverty level (FPL), the primary group helped by reinsurance.

---

[1] Federal cuts leave future of Minnesota's low-income health insurance program, MinnesotaCare, in question, Star Tribune, February 2018.

[2] Resource: State-Based Reinsurance Programs via 1332 State Innovation Waivers, SHADAC, November 2023.

Limitations of Reinsurance
Reinsurance is not a silver bullet. This costly program does not address the underlying causes of skyrocketing health care costs or health care access. It subsidizes a health care marketplace where 50% of Minnesotans are enrolled in high-deductible bronze plans that are often too expensive to use, saddling them and providers with medical debt. While households that earn over 400% of the FPL may see lower premiums from the program, it displaces federal tax credits for lower income Minnesotans, even increasing premium costs for some.[3]

We urge lawmakers to consider these factors when evaluating an extension of Minnesota's reinsurance program. **As the state faces a structural budget deficit, any extension of reinsurance must include substantial modifications to:**

1) Codify protections to hold MinnesotaCare harmless from any federal cuts due to reinsurance
2) Pay for the program through a fee on insurers, such as the Governor's proposed Minnesota Comprehensive Health Association (MCHA) assessment

Thank you for considering these measures to protect MinnesotaCare and responsibly steward state funds.

Signed,

AFSCME Council 5
Committee to Protect Health Care
ISAIAH
Minnesota AFL-CIO
Minnesota Association of Professional Employees (MAPE)
Minnesota Farmers Union
Minnesota Nurses Association
SEIU Healthcare MN & IA
Unidos MN

[3] Draft transition and phase-out plan - individual market reinsurance program, DHS, 2021.

The Minnesota Star Tribune
BUSINESS
FRIDAY, MARCH 14, 2025 • SECTION D

Big payouts as nonprofit CEOs step down

At Minnesota health insurance companies, compensation can reach into the millions.

By CHRISTOPHER SNOWBECK
The Minnesota Star Tribune

Calling it quits can pay well for CEOs at big nonprofit groups in Minnesota – particularly for those at health insurance companies.

John Naylor, chief executive of Minnetonka-based Medica, received about $5.5 million in 2023 compensation when he stepped away in September of that year, powered by $3.1 million he got from a separation agreement.

The big haul puts Naylor at the top of this year's Minnesota Star Tribune list of highest-paid nonprofit CEOs, but he's not without peers when it comes to significant exit pay.

Blue Cross and Blue Shield of Minnesota disclosed to the Minnesota Star Tribune this month that former CEO Craig Samitt received about $5.6 million in compensation during 2021, though he retired in April of that year. Samitt had run the Eagan-based health insurer for about three years.

Executive compensation consultants say limited reporting requirements and a lack of precision with such terms as "severance" and "separation agreement" can make it hard for the public to know exactly what's going on with compensation in situations like these.

In general, "they are reporting the financial conditions as required, but the details – I think they would see as proprietary," said Alexander Yaffe, managing director with the consulting firm Pearl Meyer.

A Star Tribune review of federal tax filings and documents on file with the state Commerce Department shows several nonprofit CEOs in Minnesota since 2018 have received additional compensation upon stepping down as chief executive, or even after the conclusion of their tenure, with only little explanation in regulatory filings.

In general, such payments are driven by contractual obligations, Yaffe said, and should not be considered compensation for doing no work.

"From a reporting perspective," he said, "there's no insight into any of that."

The Star Tribune annually ranks the largest nonprofit groups in Minnesota and reports compensation details for CEOs. Health care providers and health insurers routinely dominate the list.

In 2023, Rochester-based

SEE CEOS ON D2 »

Wall Street sees first 'correction' since 2023 amid trade war

S&P 500 drops 10% below last month's record despite encouraging news on U.S. economy.

By STAN CHOE • The Associated Press

NEW YORK – Wall Street's sell-off hit a new low Thursday after President Donald Trump's escalating trade war dragged the S&P 500 more than 10% below its record, which was set just last month.

A 10% drop is a big enough deal that professional investors have a name for it – a "correction" – and the S&P 500's 1.4% slide on Thursday sent the index to its first since 2023. The losses came after Trump upped the stakes in his trade war by threatening huge taxes on European wines and alcohol. Not even a double-shot of good news on the U.S. economy could stop the bleeding.

The Dow Jones industrial average dropped 537 points, or 1.3% Thursday, and the Nasdaq composite fell 2%.

The dizzying, battering swings for stocks have been coming not just day to day but also hour to hour, and the Dow hurtled between a slight gain and a drop of 689 points on Thursday.

The turbulence is a result of uncertainty about how much pain Trump will let the economy endure through tariffs and other policies in order to reshape the country and world as he wants. The president has said he wants manufacturing jobs back in the United States, along with a smaller U.S. government workforce and other fundamental changes.

Trump's latest escalation came Thursday when he threatened 200% tariffs on Champagne and other European wines, unless the European Union rolls back a "nasty" tariff announced on U.S. whiskey. The European Union unveiled that move on Wednesday, in response to U.S. tariffs on European steel and aluminum.

U.S. households and businesses have already reported drops in confidence because of all the uncertainty about which tariffs will stick from Trump's barrage of on-again, off-again announcements. That's raised fears about a pullback in spending that could sap energy from the economy. Some U.S. businesses say they've already begun to see a change in their customers' behavior because of the uncertainty.

A particularly feared scenario

SEE STOCKS ON D12 »

TURBULENCE IN THE MARKETS
Traders, including Fred DeMarco, above, work on the floor of the New York Stock Exchange this week. The S&P 500, Dow Jones industrial average and Nasdaq composite all dropped on Thursday after President Donald Trump threatened 200% tariffs on Champagne and other European wines.

G-7 talks open amid fresh Trump tariff threats

By MATTHEW LEE • The Associated Press

LA MALBAIE, QUEBEC – Top diplomats from the Group of 7 industrialized democracies gathered in Canada on Thursday as U.S. President Donald Trump's trade and foreign policies have thrown the bloc's once solid unity into disarray.

The meeting began just after Trump threatened to impose 200% tariffs on European wine and other alcohol if the European Union doesn't back down from retaliating against U.S. steel and aluminum tariffs with a levy on American whiskey.

The escalating trade war adds to uncertainty over relations between the U.S. and its closest allies, which have already been strained by Trump's position on Russia's war in Ukraine.

It also likely means U.S. Secretary of State Marco Rubio will hear a litany of complaints as he meets with the foreign ministers of Britain, Canada, France, Germany, Italy and Japan over the next two days.

All of them have been angered by Trump's policies.

"Peace and stability is at the top of our agenda, and I look forward to discussing how we continue to support Ukraine in the face of Russia's illegal aggression," Canadian Foreign Minister Mélanie Joly said. "Of course, we want to foster long-term stability as well in the Middle East."

Rubio met earlier with Joly, arriving in Quebec late Wednesday just hours after Trump's steel and aluminum tariffs kicked in – prompting responses from the European Union

SEE TARIFFS ON D12 »

SAUL LOEB/Pool via the Associated Press
U.S. Secretary of State Marco Rubio, center, joins the first round of talks of the Group of 7 industrial democracies Thursday in La Malbaie, Quebec.

Analysts: State's job market at standstill

Hiring is down amid tariffs, federal layoffs, stubborn inflation.

By EMMA NELSON
The Minnesota Star Tribune

This past summer – about six months before Minnetonka-based Digital River folded – the e-commerce company laid off Mike Penterman, who had spent more than 20 years working there.

At 53 years old, the Carver resident and primary breadwinner for his household was jobless. And he still is, seven months later.

"All the tips and tricks you see out there, I've tried them all," said Penterman, who has been using a mix of consulting work and unemployment benefits to cover full-cost health insurance through COBRA. "People don't get back to you even with a 'sorry, not interested.' You're kind of left in this void of, 'I thought the interview went well, and then I didn't hear anything.' "

Despite months of reported job growth both nationally and in Minnesota, economic policy experts describe the job market as stuck. The unemployment and hiring rates typically take opposite paths, like when unemployment was at 15% nationwide during the height of the pandemic and hiring was at 3%.

Minnesota's current unemployment rate is 3%. The state's

SEE HIRING ON D2 »

Flight staff approve new union contract

Talks with Sun Country went on for five years.

By BILL LUKITSCH
The Minnesota Star Tribune

Minneapolis-based budget carrier Sun Country Airlines and its flight attendants have inked a new collective bargaining agreement, capping a yearslong stalemate.

The five-year agreement, which was approved by members last week, comes after the two sides announced a tentative deal in late January that included higher wages and improved benefits. It was ratified by an "overwhelming" margin of the company's flight attendants, the International Brotherhood of Teamsters said in a news release.

Elaine Rishovd, a flight attendant with the company for the past 30 years, said, "This is one of the best contracts we have won since I joined Sun Country.

"From getting immediate and long-term raises to better protections for workplace rules, this contract restores our pride in working for this airline," she said in the union's statement.

In response to the Minnesota Star Tribune's request for

SEE SUN COUNTRY ON D2 »

Big payouts as nonprofit CEOs step down

« CEOS FROM D1

Mayo Clinic was the largest nonprofit group once again, with nearly $18 billion in revenue. That was more than the combined revenue of the No. 2 and No. 3 nonprofits on the list – Bloomington-based HealthPartners and Blue Cross of Minnesota.

The rankings are based on 2023 data, which is the most recent information available due to lags in reporting executive compensation.

Pay figures for 2023 still aren't available at St. Cloud-based CentraCare and Duluth-based Essentia Health, two of the 12 largest nonprofits in the state. Both groups typically report compensation in late spring because their fiscal years end in June, whereas most large nonprofits report financial results on a calendar year basis.

NONPROFIT CEO COMPENSATION IN 2023

Total compensation for chief executives at each of 10 large nonprofit groups in Minnesota ranged from $1.1 million to $5.5 million. Compensation was significantly less than 1% of each nonprofit's total expenses.

Hospital/Insurer	CEO	Total compensation	Chg. from prev. year	Total compensation as pct. of total expenses
Medica	John Naylor*	$5.5M	108.7%	0.09%
Mayo Clinic	Gianrico Farrugia	$4.3M	15.8%	0.03%
HealthPartners	Andrea Walsh	$3.5M	13.4%	0.04%
Fairview Health Services	James Hereford	$3.2M	–2.5%	0.04%
Blue Cross and Blue Shield of Minnesota	Dana Erickson	$3.1M	82.7%	0.04%
Allina Health	Lisa Shannon	$2.7M	4.0%	0.05%
Children's Minnesota	Marc Gorelick	$2.1M	5.6%	0.18%
North Memorial Health Care	J. Kevin Croston	$2M	–12.7%	0.18%
UCare	Hilary Marden-Resnik**	$1.4M	18.8%	0.02%
Hennepin Healthcare	Jennifer DeCubellis	$1.1M	2.8%	0.07%

*John Naylor retired in September 2023. The total includes $3.1 million in pay as part of separation agreement.
**Hilary Marden-Resnik was named CEO in March 2022.

Source: Source: Minnesota Star Tribune analysis of IRS filings and audited financial statements from nonprofit groups.

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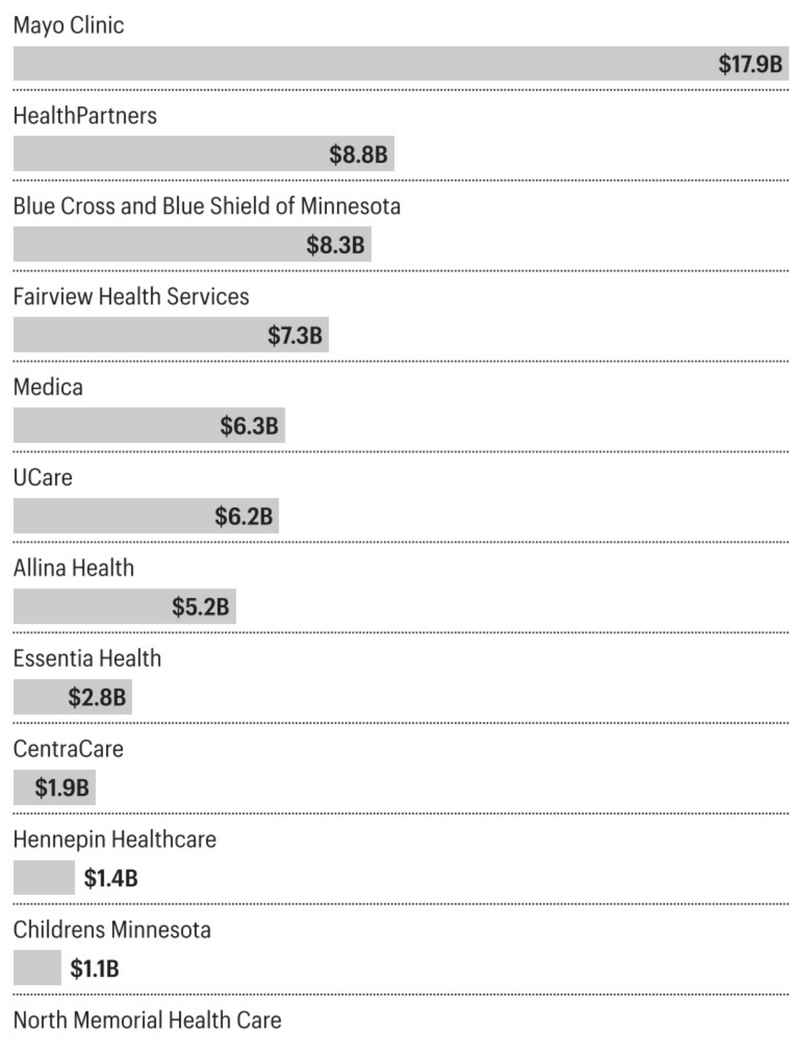
TOP NONPROFITS BY 2023 REVENUE

Revenue for the top health provider nonprofits in Minnesota.



Revenue for CentraCare and Essentia Health are for 12-month period ending June 30, 2023.

Source: Source: Minnesota Star Tribune analysis of audited financial statements from nonprofit groups.

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Leave job, get paid

Naylor worked for more than 13 years at Medica, including about seven years as chief executive. During his tenure, the health insurer garnered national attention for sticking with the individual markets in Iowa and Nebraska during 2018 when all other health insurers fled amid losses under the federal Affordable Care Act.

In 2021, Medica paid nearly $223 million to acquire a majority stake in Dean Health Plan, a Wisconsin-based health insurer. The acquisition didn't reverse a decline in profitability. In early 2024, Medica eliminated about 162 jobs on a base of some 3,000 employees overall.

Medica didn't say what led to Naylor's departure. The insurer described the transition as "amicable" in a statement to the Star Tribune.

His separation agreement included about $2 million in incentive plan payouts based on his time as CEO. Normally, the payouts would have come in 2024 and subsequent years, but Medica opted to provide a lump sum payout.

Medica also gave Naylor 12 months of salary as part of his separation payment, or about $1.1 million. The insurer said the reason was his replacement had yet to be named.

Such payments can make sense, compensation experts say, when a nonprofit wants the departing chief executive to be available to their successor.

Yaffe couldn't comment on Naylor's incentive payout in particular, but he said nonprofits in general have an obligation to make good on providing such compensation, since it's typically driven by employment agreements.

$3 million severance

At Blue Cross, Samitt took the top job in summer 2018 and retired nearly three years later after leading the health insurer through the early days of the COVID pandemic.

In filings with the state Commerce Department, Blue Cross did not disclose Samitt's pay during his final year. The insurer later did so after the Star Tribune pointed to rules suggesting the disclosure was required.

In 2021, the nonprofit insurer provided Samitt with a $3.26 million severance payment, plus nearly $1.94 million in bonus pay, $389,076 in salary and $47,541 in other compensation.

"The scope of the severance reflects the amount paid to Dr. Samitt as his total retirement package," the insurer said in a statement. "The bonuses were for prior years short- and long-term incentive programs."

Rank-and-file workers offered severance will often receive two weeks' salary per year of service, a standard dwarfed by CEO severance packages, said Vikas Saini, president of the Lown Institute, a Massachusetts-based group that evaluates executive compensation.

"The numbers are eye-watering because, already as CEOs, they make a lot more than your average union Joe," Saini said.

Payments not uncommon

Survey data from consulting firm Sullivan Cotter suggests just over half of CEOs get about 24 months worth of base pay as severance. Fewer than 4% get 36 months' pay, which is in the ballpark of what Samitt received.

From a tenure perspective, however, he entered a somewhat risky situation when he took the CEO job at Blue Cross. In the decade or so before Samitt started work in 2018, Blue Cross had four different chief executives, including one who lasted just six months.

Medica described Naylor's compensation as including money from a "separation agreement," and did not mark it as severance in a regulatory filing. Blue Cross described a large chunk of Samitt's pay as "severance," but also described the pay as part of a retirement package.

The term "severance" for a CEO often has a negative connotation, suggesting something has gone wrong. But compensation experts say it's not always a negative judgment.

Similarly, Yaffe cautioned against jumping to outrage when CEOs still show up on regulatory filings as receiving pay after they're no longer on the job.

The Star Tribune's review also found:

• Penny Wheeler, the former chief executive at Allina Health, retired at the end of 2021, but she showed up in the health system's filing with the IRS for the next year as receiving $1.9 million in pay. In a statement, Allina said its executive compensation is "market competitive" and "supported by a vigorous and data-driven process."

• At Hennepin Healthcare, Jon Pryor served as CEO through early February 2019 and received total pay that year of more than $1.2 million – more than he received for a full year of work in 2018. The Minneapolis-based health system said Pryor "received separation compensation according to the agreed-upon contract of employment, which included one year's salary as well as any earned incentives and compensation."

• The Minneapolis-based health insurer UCare saw CEO Mark Traynor step down in the fall of 2021, yet the next year's IRS disclosure showed the nonprofit group paid him about $802,077 in 2022. In a statement, UCare said Traynor received incentive pay based on meeting strategic goals the previous year plus a deferred compensation payout.

• At Mayo Clinic, John Noseworthy received $779,269 in 2019 pay even though he stopped being CEO at the end of the previous year. Clinic officials said the compensation included "pay for work performed in late 2018, pay for unused 2018 vacation days and a payment for a retirement savings benefit ... that is paid the year after the benefit is earned. None of this amount was separation pay."

Whether the source is a separation agreement, severance, lagged incentive pay or some other aspect of an employment contract, nonprofit CEO compensation generally is troubling to people, Lown's Saini said, because it's large, somewhat clandestine and connected to nation's flawed health care system.

"If we're really going to grapple with the problems of health care, which are so expensive, unaffordable, driving medical debt – all the things that everybody knows about and are problematic – I think this is a moment to rethink some of that and ask: Can we have more transparency?" Saini said.

"Can we really try to understand what the hell is going on, how the money is flowing?"

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Flight attendants win pay bump in contract

« SUN COUNTRY FROM D1

comment, Sun Country spokeswoman Wendy Burt said the contract improves employment conditions "while ensuring that Sun Country can continue to operate safely and profitably."

"The improvements in the contract reflect Sun Country's tremendous appreciation for our flight attendants and all they do to provide our customers with a safe, friendly and hassle-free travel experience," Burt said in a statement.

Under the contract, flight attendants will see an immediate 21% pay bump and ultimately 58% in wage increases through the life of the contract, according to the Teamsters.

Additional benefits include higher company match for retirement plans, altered work scheduling for holidays and a 14-year shorter window to reach full-scale pay.

Union leaders celebrated the outcome, pointing to a strike threat that came ahead of the deal. Teamsters General President Sean M. O'Brien said the flight attendants "persevered and won big."

Teamsters Local 120 President Tom Erickson said he is "proud of our members for finishing the fight with a game-changing agreement that sets a new standard at Sun Country."

Negotiations for the contract covering Sun Country's flight attendants began in November 2019. Sun Country and the Teamsters agreed to stall negotiations in March 2020 as the COVID-19 pandemic brought air travel to a halt.

Talks resumed in October 2021 but failed to produce an agreement. In 2023, the matter went to the National Mediation Board, the federal agency that helps resolve collective bargaining disputes for railway and airline employees.

Flight attendants rejected an earlier tentative agreement, with 96% voting against that proposal. Last year, flight attendants overwhelmingly voted in favor of authorizing a strike. Eligible members supported that action by a 99% margin, according to the Teamsters.

Before the new contract, union officials had said Sun Country flight attendants' wages started at $21.53 an hour. Those with more than 30 years of experience could reach an hourly rate of $53.56, though the top pay scale trailed that of other low-budget carriers, according to the union.

The union did not include updated figures in the news release.

In recent years, Sun Country's flight attendants have organized informational picket demonstrations outside Minneapolis-St. Paul International Airport.

About 60% of Sun Country's workforce is represented by organized labor. As of December 2024, Sun Country employed 756 flight attendants, according to public filings. The next biggest unionized group is its 662 pilots. Last month, Sun Country's approximately 34 dispatchers, represented by the Transport Workers Union, ratified a new contract to increase pay 36% at minimum, according to the union.

The Minneapolis-based budget carrier employs more than 3,100 people. Most of its employees are based in Minnesota.

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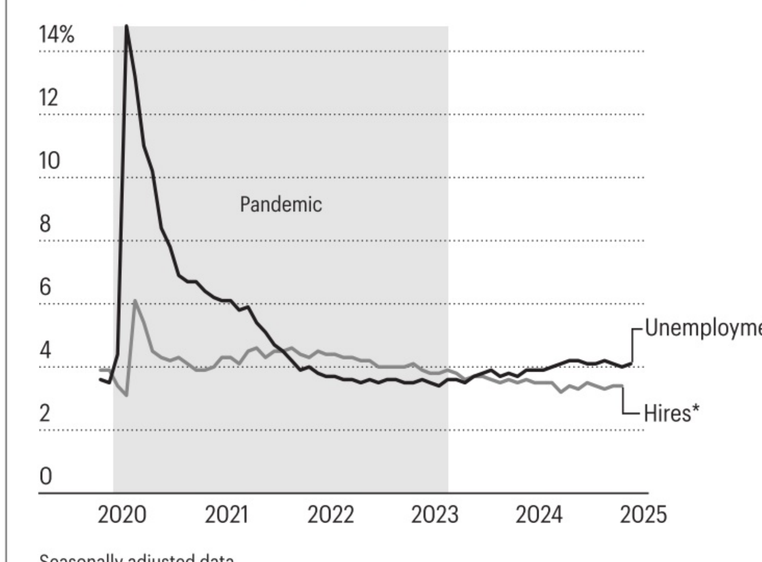
UNEMPLOYMENT IS LOW, BUT SO IS HIRING

The unemployment and hires rates* typically move in opposite directions, but both have been low in the pandemic recovery as economic uncertainty has employers in a holding pattern.

Hiring and unemployment rates



Seasonally adjusted data.
*The hires rate is computed by dividing the number of hires by employment and multiplying that quotient by 100.

Source: Federal Reserve Bank of St. Louis

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Minnesota's job market frozen amid uncertainty

« HIRING FROM D1

most recent hiring rate from December: 3.3%.

"It's a bit of a ghost recession," said Kathryn Edwards, an independent economic policy consultant. "Everybody thought it would come, and there's certainly been pain in the economy, but not a broader economic downturn."

It's not just consumers uncertain about the U.S. economy, which faces tariffs, federal layoffs, stubborn inflation and a falling stock market. Companies are tightening their expenditures, and that's "crimping hiring plans in 2025," Glassdoor Lead Economist Daniel Zhao said in a statement.

"As the economy slows down, businesses have been hesitant to commit to expanding their workforces," the statement continued.

The percentage of CEOs in a Chief Executive magazine poll who expected the business climate to improve in 2025 dropped 10% since the beginning of the year. Small-business owners, too, reported near record-high uncertainty in the latest National Federation of Independent Business survey. That means less hiring, which in turn "means fewer opportunities for people out of work to get back on the career ladder" and "fewer opportunities for workers to advance up the career ladder by finding a better job on the open market," per Zhao's statement.

"People don't get back to you even with a 'sorry, not interested.' "

Mike Penterman, 53, of Carver on seeking work after he was laid off seven months ago

Hiring jumped after the onset of the pandemic, overtaking the unemployment rate during the Great Resignation thanks to white-collar, remote-friendly jobs like software development. But it has fallen since – except in industries that require in-person work, such as hospitality and construction. That contributes to the discrepancy between the numbers and real life.

"It seems to be a stable labor market, a healthy labor market," said Indeed economist Cory Stahle. "But at the end of the day, when we dive into the data, and we look at the people who are behind the numbers, not everybody's having that experience."

Penterman has landed just one interview after applying for an estimated 100 jobs. He's now trying to network on LinkedIn with employees at companies where he would like to work. Of those 90 invitations, only about a quarter became connections.

Of those, just one agreed to a Zoom call: She, too, had recently lost her job.

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Unchanged prices show U.S. inflation is easing

By PAUL WISEMAN
The Associated Press

WASHINGTON, D.C. - U.S. wholesale inflation decelerated last month, suggesting that price pressures are easing for now. But the progress may not last as President Donald Trump intensifies his trade wars.

The Labor Department reported Thursday that its producer price index – which tracks inflation before it reaches consumers – was unchanged from January after rising 0.6% the month before. Compared to a year earlier, producer prices were up 3.2%, down from a year-over-year gain of 3.7% in January.

Excluding volatile food and energy prices, so-called core wholesale prices fell 0.1% last month from January, first drop since July. Core producer prices rose 3.4%, lower than the 3.8% year-over-year gain in January. The numbers were all lower than economists had expected.

The readout comes as Trump ramps up his trade war with a wide range of U.S. trade partners, threatening to send inflation higher. He has effectively imposed 25% taxes – tariffs – on foreign steel and aluminum and has plastered 20% levies on Chinese imports.

In coming weeks, he is set to impose 25% tariffs on Canada and Mexico and to introduce "reciprocal tariffs" that match higher taxes that other countries slap on U.S. products. And on Thursday the president threatened a 200% on European wine, champagne and spirits if Europe goes ahead with a tariff on U.S. whiskey.

Major retailers have warned that they expect U.S. consumers to pull back spending this year in the face of higher costs, partly from Trump's tariffs.

On Wednesday, the Labor Department said that consumer price inflation slowed last month for the first time since September.

The consumer price index was up 2.8% from a year ago, down from a 3% year-over-year increase in January. Core consumer prices rose 3.1% from a year earlier, smallest increase since April 2021.

Wholesale gasoline prices fell 4.7% last month. Food prices rose 1.7% from January to February, led by a 28% surge in the price of eggs.

After cutting its benchmark rate three times in late 2024, the Federal Reserve is expected to leave the rate unchanged at its meeting next week. "The Fed will not see any argument for pushing interest rates lower or sooner in today's figures," Carl Weinberg and Mary Chen of High Frequency Economics wrote in a commentary Thursday. "The Fed is focused now on the impact of tariffs on future food prices much more than it is focused on the impact of egg prices on prior [producer price] increases."

Wholesale prices can offer an early look at where consumer inflation might be headed.

March 14, 2025

Testimony in Opposition to HF 837 – Rep. O'Driscoll

Chairman Backer and members of the committee,

Citizens' Council for Health Freedom (CCHF) is a national, non-profit health policy organization based in Saint Paul, Minnesota. For over 25 years, our mission has been to protect patient and doctor freedom. **CCHF opposes HF 837, which would continue the MN reinsurance program, a program we've opposed since its introduction in 2017.**

We empathize with Minnesotans who have felt significant increases in the cost of health insurance in recent years. As one who once purchased personal health insurance on the individual market, I also experienced the sticker shock and wished there were better options for me to consider that did not bust the monthly budget.

Reinsurance, however, is not the solution. We oppose this bill for three main reasons: First, it does not actually reduce the cost of health insurance and instead uses taxpayer dollars to hide the rising costs from consumers. Second, it erodes patient data privacy. And third, we are concerned that the reinsurance program will continue to be authorized in perpetuity.

Because the reinsurance program operates in the background, sharing dollars and data outside of public view, people who purchase health insurance in the individual market will likely not know their private medical information will be shared with the State of Minnesota if their claims reach the reinsurance attachment point.

Not only will enrollees not be able to opt-out of data-sharing; but we see no requirement that they be notified that their data will be shared when they reach the reinsurance threshold. **Will enrollees be given a Tennessen warning as required under chapter 13?**

Since 2017, more than one billion taxpayer dollars have been spent on reinsurance. HF 837 proposes a general fund transfer of another $504.8 million dollars in FY 2026. Is it the plan to continue reinsurance in perpetuity as proposed in SF 333? Will this cost, levied against all taxpayers and redistributed to health plans, continue year after year or even increase if reinsurance continues?

It appears that this less-than-transparent redistribution system will continue transferring dollars from the pockets of taxpayers to health plans for years to come.

Instead of supporting HF 837, we would encourage this committee to:

1) Add flexibility, freedom, and choices to Minnesotans by repealing the plethora of costly mandates on insurance companies, so that consumers are not limited to one-size-fits-all insurance options;

2) Allow insurance companies to offer affordable “mandate-free” policies; and

3) Enact the less expensive “health benefit plans” offered through the farm bureau, which are available in seven other states.

For these reasons, we urge this committee to oppose HF 837. Thank you again for the opportunity to share our concerns.

Matt Flanders

Legislative and Policy Director
Citizens’ Council for Health Freedom