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Re: House File 11 (Schultz)

Dear Members of the House Commerce Finance and Policy Committee,

The National Federation of Independent Business (NFIB) is the largest small business organization in Minnesota, with over 10,000 small business members in every corner of the state. Over 75% of our members have fewer than 10 employees and our mission is to advocate for Main Street businesses.

Health insurance costs are a top concern for small employers. In fact, the cost of health insurance was the number one small business problem in NFIB's [most recent edition of *Small Business Problems & Priorities*](#) – as it was in every edition for the previous 29 years.

Due to rising costs, it is increasingly difficult for small businesses to offer this important benefit. According to the Minnesota Department of Health (MDH), the share of Minnesotans [insured through small groups](#) declined from 11% to 8% between 2010 and 2019. From 2014 to 2020, [small group premiums increased](#) by a total of over 41% on average.

While cost is a significant problem, a public option is not the solution.

Public Option: NFIB is deeply concerned that a public option would further compromise the viability of the private insurance marketplace and would result in restricting choice to a single plan: the government-sponsored plan. Small businesses believe that a truly competitive and reformed private insurance market can best provide small business owners and their employees with greater affordability and a sustainable choice of plans.

A broad public option would shift provider costs to remaining commercial markets by increasing program enrollment at reduced provider reimbursement rates. In 2017, [the Minnesota Hospital Association](#) cited low reimbursements in its opposition to the public option:

“State public health care programs currently pay providers about half of what a commercial plan pays. In addition, this proposal could entice people out of the small group market because of the lower-priced MinnesotaCare insurance product further constricting the individual market.”

More enrollees in government reimbursement plans means higher prices for remaining commercial employer-based plans at a time when small businesses are already struggling to maintain this important employee benefit.

Lower reimbursement rates may make it even harder to access care in rural areas, where there is already a “severe shortage of all provider types,” [according to MDH](#).

In 2018, the Dayton Administration estimated a public option, then called “MinnesotaCare Buy-In,” would cover 100,000 people. Removing that number of lives from the fully insured market as envisioned in HF 11 would mean significant disruption for remaining commercial policyholders.

On a positive note, HF 11 contains information requests that may provide useful information for identifying and reforming cost drivers in the commercial market. This information should be sought and analyzed within the context of preserving and improving a competitive private market.

Reinsurance: Fortunately, Minnesota has a proven solution that stabilizes and reduces premiums for individuals who purchase insurance on their own, without destabilizing other commercial markets. Since 2018, reinsurance has worked effectively for Minnesotans.

Reinsurance serves a similar purpose to the market stabilization program operated by the Minnesota Comprehensive Health Association (MCHA) from 1976 to 2013. Original MCHA had bipartisan support for decades and helped stabilize the market while extending access to plans to those with pre-existing conditions. Reinsurance is a modern version of that program for a guaranteed-issue environment.

According to a September 2021 [review of Minnesota’s reinsurance program](#) by the federal Centers for Medicare and Medicaid Services (CMS), reinsurance reduced the lowest cost bronze plan by 22%, the lowest cost silver plan by 34%, the second lowest cost silver plan by 36%, and the lowest cost gold plan by 31%. Reinsurance also kept 66,000 Minnesotans insured, according to the report.

We urge lawmakers to come together and build on proven solutions that help small businesses.

Sincerely,



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