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March 9, 2022

Re: House File 3717

Dear Chair Liebling and House Health Finance and Policy Committee Members,

The National Federation of Independent Business (NFIB) supports the continuation of Minnesota's highly successful individual health insurance market reinsurance program.

The individual market is important to small businesses because it is the source of coverage for many small employers, their employees, and self-employed entrepreneurs. Instability and rising premiums in the individual market are bad for small businesses, as we witnessed from 2014 through 2017.

Fortunately, beginning in 2018, the reinsurance program reversed the years-long trend of double-digit premium increases for individual market enrollees. It also halted a half-decade long drop in the number of people insured through the market.

According to a September 2021 review of Minnesota's 2020 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 helps offset a relatively large share of high-cost claims in the individual market without reducing provider payments and shifting costs onto other commercial payers. It does this with state and federal funding provided to the Minnesota Comprehensive Health Association, or MCHA. When a person has a serious medical event that qualifies for reinsurance, the medical provider bills the insurance company. The insurer pays the claim, then submits it to MCHA. MCHA reviews the claim and reimburses if it qualifies or denies if it doesn't.

In other words, reinsurance helps pay for healthcare for very sick people. Almost two-thirds – 62% of eligible enrollees with reinsurance claims – had 2 or more serious health conditions.

According to the reinsurance program's 2020 Year-End Report, the top 5 conditions for which reinsurance helped cover the cost of care were Diabetes, Asthma/COPD, Rheumatoid Arthritis, Metastatic Cancer, and Heart Arrhythmia.

In this sense, reinsurance serves a similar purpose to the program run by MCHA from 1976 through 2014, which enjoyed broad bipartisan support for decades

As the CMS report noted, Minnesota's reinsurance program makes such an impact, in part, because of the reliance on broad funding sources from outside of the individual market. In the past, these broad funding sources have included the General Fund and Health Care Access Fund, which includes over \$100 million in annual revenue from a 1% Gross Premium Tax on fully insured policies.

Lastly, we appreciate that reinsurance continues to be transparent and accountable. It is governed by a longstanding state board, reviewed quarterly at the state level and annually at the federal level. Robust program administration, auditing and reporting requirements are outlined in Chapter 62E.

Sincerely,

A handwritten signature in black ink, appearing to read 'John L. Reynolds', with a stylized, cursive flourish at the end.

John L. Reynolds
Minnesota State Director
National Federal of Independent Business
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