

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.

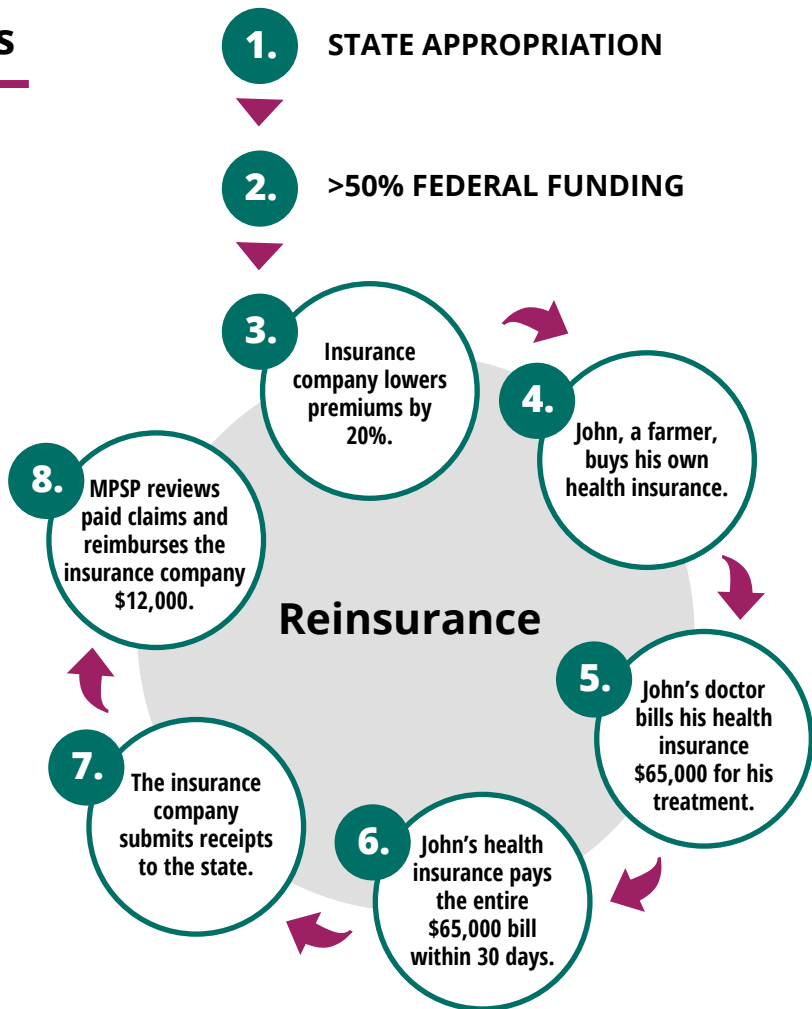
Absent action to restore funding, premiums will increase 25%+ and insurance will become unaffordable for tens of thousands of Minnesotans who will lose coverage and access to needed care.

How Reinsurance Works

Reinsurance Parameters

| Claim Range ¹ | Liability |
|--------------------------|----------------------------------|
| \$0 - \$50,000 | Plan Pays: 100% |
| \$50,001 - \$250,000 | Plan Pays: 20% MPSP Pays: 80% |
| \$250,001 - \$250,001 | Plan Pays ² : 100% |

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





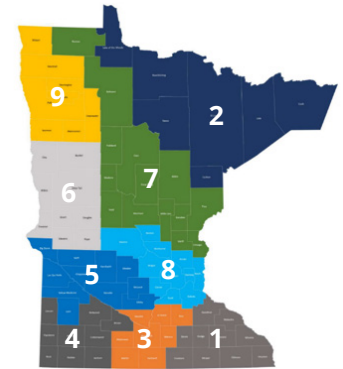
Who Reinsurance Helps

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*



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