

17 February, 2024

Rep Jeff Backer
Chairman, Health Policy and Finance Committee
2nd Floor, Centennial Office Building
St. Paul, MN 55155

**Re: [HF10](#) (Schultz and others) [SF690](#) companion
Testimony for the committee, delivered in person**

Dear Chairman Backer and members,

My name is Matt Dean. I am a policy fellow with the Center of the American Experiment, which is a 35 year-old nonprofit think tank that works to make Minnesota a freer, more prosperous and better-governed state.

I would like to thank Rep Schultz for bringing [HF10](#)ⁱ that explores the policy implications of offering state-supported healthcare and other services to people who are here illegally. There are two portions of the bill, one dealing with the North Star Promise educational scholarship program, which was covered in Rep Rarick's committee last week, and Section THREE of the bill which would end the eligibility of undocumented noncitizens enrolled in MNCare. My comments are limited to section three of this bill.

Rather than engage in the larger question of whether Minnesota taxpayers should pay for the healthcare costs of foreign nationals who lack legal status, I would like to look at three fundamental issues this committee should examine as you decide the fiscal implications of paying for it.

The Healthcare Access Fund was established to pay for Minnesota Care, which was begun in 1994 to help lower income families to better afford healthcare. This was funded by a 2% provider tax and a 1% gross premium tax as well as monthly premiums paid by the enrollees.

After Minnesota expanded Medicaid, those eligible for MNCare were shifted to federal Medicaid, paid for in part with a huge influx of federal dollarsⁱⁱ. This created a large and growing surplus in the HCAF, spurring then Gov. Dayton to eliminate the sick tax over time.

Unsurprisingly, that fund and the sick taxes that fed it were resuscitated by republicans and democrats, proving that the most endangered species in the world is an increasing fund balance. In addition to hundreds of millions of dollars piling up that could be transferred to the general fund for any use, the HCAF had an additional feature that has always proven irresistible to legislators. Money can flow into and out of the HCAF without impacting a surplus or deficit.

What began as a premium-supported fund has ballooned into something quite different. Last year, enrollee premiums accounted for only \$493,000 out of total expenditures of \$1,897,567,000 which includes state taxes and federal money from the federal Basic Health Plan trust fund.ⁱⁱⁱ That means [99.97% of the money spent from the HCAF](#)^{iv} is non-premium revenue.

Minnesota may not use any federal funds when paying for citizens who lack legal status. The federal component of the fund is [forecasted](#) to decrease in FY26 and FY27^v, putting pressure on the state share. Adding \$100M of additional state-only cost to pay for undocumented foreign nationals creates stress on the HCAF and will decrease state monies available for healthcare to legal Minnesotans.

The complicated and unusual mix of federal and state funds could also draw federal oversight investigators to determine exactly how federal dollars are being segregated from this use.

In addition to putting the HCAF at fiscal and legal risk, the proposal to allow undocumented people to “buy in” to MNCare seems to create a two tier system with Minnesota citizens carrying a heavier burden than their counterparts who lack legal status. According to guidance by the Minnesota Department of Human Services, foreign nationals who wish to be eligible need only attest that they are here illegally.^{vi} This is specifically not to be verified. Hence, there is no way to really know (without a social security number and verification) if the state is being scammed.

While this is patently unfair to the Minnesotans who must go through strict eligibility determination and face significant claw back penalties, the lack of eligibility determination creates a gaping fraud hole large enough to drive a truck through.

From 11/7/2024 DHS [Bulletin](#)^{vii} “MNCare eligibility to include undocumented individuals:”

“To qualify for MinnesotaCare on and after January 1, 2025, people who are undocumented individuals must attest that they are not lawfully present. MinnesotaCare eligibility will be approved for an applicant who indicates they do not have a lawfully present status or circumstance, if they meet all other MinnesotaCare eligibility criteria. Proof that a person is undocumented is not required.” The bulletin goes on to say “When an enrollee who previously indicated that they are a U.S. citizen or lawfully present noncitizen, corrects or updates their information to indicate they are not considered lawfully present, the new attested information is not subject to verification. Eligibility must be redetermined and if eligible, the enrollee will qualify for state-funded MinnesotaCare with fee-for-service benefits delivery beginning the next available month.”

This obviously creates a potential fraud problem. If people are basically loaded onto MNCare without eligibility determination, it is difficult to imagine any way to catch fraud because once again, the ability to do so is prevented. The Center of the American Experiment has outlined over a half billion dollars^{viii} in fraud in just the past five years, and this could have the potential to dramatically add to that total.

I am happy to answer any questions or follow up with any members who wish to do so. Thank you Mr. Chair and members.

Sincerely,

Matt Dean

Policy Fellow, Center of the American Experiment

ⁱ <https://www.revisor.mn.gov/bills/bill.php?b=House&f=HF0010&ssn=0&y=2025>

HF10 Bill Tracking

ⁱⁱ <https://www.twincities.com/2011/01/03/new-governor-will-begin-term-by-signing-executive-order-expanding-state-medicaid/>

MN Joins Medicaid Expansion states

ⁱⁱⁱ https://mn.gov/dhs/assets/BHP_Trust_Fund_Nov24_tcm1053-658371.pdf

BHP Trust fund balance

^{iv} <https://mn.gov/mmb-stat/documents/budget/operating-budget/forecast/feb-2024/feb24-hcaf.pdf>

HCAF budget tracking

^v <https://mn.gov/mmb-stat/000/az/forecast/2024/budget-and-economic-forecast/november.pdf>

November 2024 Minnesota forecast

^{vi} https://mn.gov/dhs/assets/talking-points_tcm1053-652128.pdf

DHS Talking Points on taxpayer funded healthcare for undocumented

^{vii} <https://www.dhs.state.mn.us/main/groups/publications/documents/pub/mndhs-068276.pdf>

This bulletin by DHS shows how the agency will determine eligibility and maintain enrollment for undocumented

^{viii} <https://files.americanexperiment.org/wp-content/uploads/2024/12/Scandal-Tracker-with-links.pdf?v=1734215687>

Center of the American Experiment Fraud Tracker 2025