April 9, 2024

Chair Liebling and Members of the Health Finance and Policy Committee:

Thank you for this opportunity to testify on healthcare reform in Minnesota and on House File 5317, a bill that contains provisions to establish a public option within the MinnesotaCare program. We applaud the committee for taking up this important issue and we are grateful to have this opportunity to share our views and solutions on how to improve the healthcare system to put patients in the driver's seat for their care needs.

On behalf of our thousands of activists, members, and supporters across this state, we strongly oppose the public option elements of HF 5317.

In Minnesota and across the country, AFP activists engage friends and neighbors on key issues and encourage them to take an active role in building a culture of mutual benefit, where people succeed by helping one another. **Healthcare reform is a top priority for us because it is deeply personal and because no individual or community can thrive and flourish without good healthcare.**

Today, healthcare is too expensive, complex, and frustrating. But it does not have to be. Our members are committed to making healthcare truly affordable, transparent, and much less of a hassle for everyone.

Healthcare in Minnesota and across the nation has challenges and needs reform. But overall, it is a good system. We Americans enjoy superior quality and access; virtually universal access and, despite the excessive cost and hassle of healthcare today, **most Americans are satisfied with their current coverage and are not looking for more government involvement**.

Last session, the legislature passed a bill to authorize a public option. We opposed that bill because **the public option has failed everywhere it has been tried**, and because the bill was a pig in a poke. It did not answer a number of key questions, such as how much it would cost taxpayers, and how deeply it would reduce provider reimbursements.

Now, with this bill, we are beginning to receive answers to those questions. And unfortunately, the emerging answers confirm our long-held view that the public option is simply not a good idea for Minnesota.

As we understand the bill, it would establish a new program in our state that offers government-subsidized health insurance to all state residents who earn more than 200% of the federal poverty guidelines and who do not have an affordable offer of employer-sponsored insurance (ESI).

This "public option" would be created on top of, and in coordination with, the existing MinnesotaCare program. Eligible individuals could sign up for the public option through the MNSure marketplace. They would receive their coverage through managed care plans contracted to provide benefits, similar to what happens today in MinnesotaCare and the Medical Assistance program (Medicaid).

Public option enrollees' premiums would be paid by the government, except for a required enrollee contribution, which would be on a sliding scale based on household income. At the high end, enrollees with income above 550% of the federal poverty level would pay no more than 10% of their income in premiums.

The bill would require the managed care plans to pay doctors, hospitals, and other medical providers at rates equal to 100 percent of what Medicare pays. For context, **MinnesotaCare managed care plans today pay about 83 percent of Medicare rates on average, while private commercial insurers pay around 200 percent of Medicare.**

The Minnesota Commerce Department has estimated that, under the version of the public option reflected in this bill, around 131,000 people would enroll, and state expenditures would increase by about $364 million, in the first year.

Naturally, these projections are uncertain. Alas, they could easily be too low. As we've seen in state after state that has expanded Medicaid, the actual costs of a new, taxpayer subsidy program can easily come in higher than the highest estimate considered during the legislative debate.

In fact, in some Medicaid expansion states, actual costs to the state have been double the projected amounts. The biggest contributor to this problem is the so-called woodwork effect — people signing up for benefits they are already eligible for, simply because they've heard about a new program. Additionally, people migrate from other forms of coverage that cost taxpayers less than the new program. Any proper estimate of this bill's costs must take such anticipatable effects into account.

So far, a form of public option has been passed in three states: Washington, Colorado, and Nevada. And so far, the idea has not lived up to its billing. It has certainly not reduced premiums nor improved quality or access.

Realistically, there is only one way a public option can reduce premiums: impose deep cuts in provider reimbursements — something no state has been willing to do. Minnesota does not even try to do it in this bill. Indeed, it seems the bill implicitly abandons the idea that the public option can lower prices through more robust competition. **This bill does not really increase competition. Instead, it puts more people on taxpayer-subsidized health insurance, and at a high cost per enrollee.**

Clearly, this is a poor use of taxpayer money. And frankly it's a luxury in a state like ours, where, for all intents and purposes, we have universal coverage. An estimated 95.3 percent of Minnesota residents today have health insurance. And the 4.7 percent of Minnesotans who are uninsured include wealthy people who self-insure, people who are eligible for existing forms of coverage but have not enrolled, and undocumented residents who are not eligible for most forms of subsidized health coverage.

If the goal of this bill is to reduce costs, it fails. If the goal is to get more people covered, it's a solution in search of a problem.

We should step back and ask ourselves why we are doing this. If the bill would neither reduce costs for patients nor significantly expand access for the uninsured, but would cost taxpayers hundreds of millions annually — why do it? Incidentally, most of that money would go directly to insurance companies rather than to patients. If we must spend more taxpayer money on healthcare, why not give it to patients?

For all these reasons, we urge the committee to reject this expensive and, in our view, misguided proposal.

Instead of a public option, Minnesotans need and deserve a personal option: a set of sensible, targeted, nonpartisan reforms that expand choice, reduce costs, and guarantee universal access to the high-quality healthcare Minnesota families need, when they need it.

We stand ready to help you do that. Let's work together to give Minnesota families and small businesses the better healthcare system they deserve — not with more government, but with more freedom, transparency, and more personal choice and personal control.

What would a personal option approach in Minnesota entail? For starters, it would create sensible, nonpartisan reforms such as enacting a safe harbor bill to ensure universal access to direct primary care arrangements (see HF 3648). Direct primary care is a popular new way of delivering healthcare that offers unparalleled access, quality, affordability, and convenience. A DPC membership brings virtually unlimited access to trusted doctors, referrals to discounted lab tests and imaging services, and often deep discounts on generic drugs — all for one low monthly fee, with no additional fees or hidden charges. Subscriptions are typically very affordable, and doctors make themselves available to patients at all hours, spending more time with them, on average, than traditional, insurance-based doctors do.

A personal option would also entail reducing restrictions on such affordable coverage options as Farm Bureau Health Plans and similar plans offered by non-profit membership organizations. These plans, which are personally owned and portable, can be significantly more affordable than traditional group health plans because they are mutual aid rather than insurance. They can be exempted from costly federal mandates by the state legislature.

Similarly, association health plans can help small businesses band together to purchase more affordable benefits for their members' employees.

A personal option also means removing government barriers so more physicians can practice in our state. For example, foreign-trained physicians, and medical-school graduates who have not yet completed a residency. Why not let these "almost physicians" practice under a temporary license under a doctor's supervision, with a chance, after a few years, to become permanently licensed doctors?

Another idea. **Why not reduce barriers to out-of-state doctors and nurses delivering care to Minnesota residents, including by way of telehealth?**

To be fair, most of today's healthcare woes stem from misguided federal policies. There's not much we can do about those in Saint Paul. But we can work with our congressional delegation. We can promote sensible, nonpartisan federal reforms that reduce the cost of coverage while maintaining protections for patients with preexisting conditions.

Let's do it. Let's work together on both sides of the aisle to make Minnesota the best place in the world to be sick, and the best place to get and stay healthy. To learn more about the personal option, visit our website: www.personaloption.com.

We oppose HF 5317 with provisions establishing a public option, and respectfully urge a "No" vote because it would impose needless burdens on Minnesota taxpayers — and because there is a better way.

Thank you for this opportunity to share our views.

Sincerely,

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