

## SF4837 - 1E - Health Maintenance Org Transactions Oversight

Chief Author: **Melissa Wiklund**  
 Committee: **Health And Human Services**  
 Date Completed: **4/9/2024 10:31:56 AM**  
 Lead Agency: **Health Dept**  
 Other Agencies:  
     Attorney General                      Commerce Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Attorney General</b>						
General Fund	-	-	73	73	73	
<b>Health Dept</b>						
General Fund	-	-	629	404	404	
<b>State Total</b>						
General Fund	-	-	702	477	477	
Total	-	-	702	477	477	
Biennial Total			702		954	

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Attorney General</b>						
General Fund	-	-	-	-	-	-
<b>Health Dept</b>						
General Fund	-	-	2.8	1.9	1.9	
Total	-	-	2.8	1.9	1.9	

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Shannon Zila      **Date:** 4/9/2024 10:31:56 AM  
**Phone:** 651-296-6053      **Email:** shannon.zila@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
<b>Attorney General</b>					
General Fund	-	-	73	73	73
<b>Health Dept</b>					
General Fund	-	-	629	404	404
<b>Total</b>	<b>-</b>	<b>-</b>	<b>702</b>	<b>477</b>	<b>477</b>
<b>Biennial Total</b>			<b>702</b>		<b>954</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
<b>Attorney General</b>					
General Fund	-	-	73	73	73
<b>Health Dept</b>					
General Fund	-	-	629	404	404
<b>Total</b>	<b>-</b>	<b>-</b>	<b>702</b>	<b>477</b>	<b>477</b>
<b>Biennial Total</b>			<b>702</b>		<b>954</b>
<b>2 - Revenues, Transfers In*</b>					
<b>Attorney General</b>					
General Fund	-	-	-	-	-
<b>Health Dept</b>					
General Fund	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>			<b>-</b>		<b>-</b>

## SF4837 - 1E - Health Maintenance Org Transactions Oversight

Chief Author: **Melissa Wiklund**  
 Committee: **Health And Human Services**  
 Date Completed: **4/9/2024 10:31:56 AM**  
 Agency: **Health Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	629	404	404
Total		-	-	629	404	404
Biennial Total				629		808

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	2.8	1.9	1.9
Total		-	-	2.8	1.9	1.9

## LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Shannon Zila      **Date:** 4/9/2024 10:31:42 AM  
**Phone:** 651-296-6053      **Email:** shannon.zila@lbo.mn.gov

### State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
<b>Dollars in Thousands</b>		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
					<b>FY2027</b>
General Fund		-	-	629	404
<b>Total</b>		-	-	<b>629</b>	<b>404</b>
<b>Biennial Total</b>				<b>629</b>	<b>808</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund		-	-	629	404
<b>Total</b>		-	-	<b>629</b>	<b>404</b>
<b>Biennial Total</b>				<b>629</b>	<b>808</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund		-	-	-	-
<b>Total</b>		-	-	-	-
<b>Biennial Total</b>				-	-

### Bill Description

Section 1 of this bill expands regulatory oversight of health maintenance organizations (HMOs) by the department of health. It adds several requirements for HMOs to report business transactions over a threshold amount including acquisitions, transfers, transactions agreements, and changes of control, in a manner that is consistent with how comparable transactions are currently reported to, and overseen by, the department of commerce for health insurers.

Section 2 establishes a requirement that HMOs and nonprofit health service plan corporations notify the Attorney General of their intent to dissolve, merge, consolidate, convert, or transfer at least ten percent of their assets, and establishes that the transaction may not happen until 45 days after the notification has taken place. The Attorney General may hold a public hearing.

The bill does not include an appropriation and is effective the day following final enactment.

### Assumptions

Based on consulting with the department of commerce, MDH assumes that transactions involving transfers and agreements within holding companies will occur several times per year for each licensed HMO. In addition, larger transactions involving substantially all assets or complete change of control will occur once per year. These transactions or agreements may involve varying levels of complexity but based on discussions with the department of commerce, we assume a need for 1.75 FTE Agency Policy Specialist in fiscal year 2025 to review transactions and a 0.75 FTE of a State Program Administrative Manager Sr and a 0.2 FTE of a Health Program Manager Senior in fiscal year 2025 to oversee this new work and to develop submission guidelines, communications for health plans, and transaction review policies and procedures. These FTEs will reduce to a 1.2 FTE Agency Policy Specialist, 0.5 FTE State Program Admin. Manager Sr. and a 0.1 FTE Health Program Manager, Sr. in fiscal year 2026 and beyond. MDH assumes a 0.1 FTE of an Office and Administrative Specialist Senior to provide administrative support for this work beginning in fiscal year 2025.

MDH also assumes the need for an interagency agreement with the department of commerce in the amount of \$40,000 in fiscal year 2025 and \$25,000 annually thereafter to provide initial staff support and ongoing actuarial support for transaction review, and with an additional \$25,000 in fiscal year 2025 for a contract with an external vendor to provide supplemental training and financial services to MDH staff who will be involved in this work.

MDH assumes that the Attorney General notification process established in Section 2 will not have a fiscal impact on MDH.

### Expenditure and/or Revenue Formula

Expenditure (Actual Dollars)	Amount	FY 2024	FY 2025	FY 2026	FY 2027
<b>Full-time Equivalent (FTE) Staff</b>		FTE	FTE	FTE	FTE
Agency Policy Specialist	191,468		1.75	1.20	1.20
State Program Admin Mgr Sr	227,144		0.75	0.50	0.50
Health Program Mgr. Sr.	227,144		0.20	0.10	0.10
Office and Admin Spec. Sr	127,055		0.10	0.10	0.10
	<b>FTE</b>	<b>0.00</b>	<b>2.80</b>	<b>1.90</b>	<b>1.90</b>
	<b>Subtotal</b>	<b>0</b>	<b>563,561</b>	<b>378,754</b>	<b>378,754</b>
<b>Information Technology:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs:</b>					
Commerce Interagency Agreement			40,000	25,000	25,000
Staff trainings			25,000		
	<b>Subtotal</b>	<b>0</b>	<b>65,000</b>	<b>25,000</b>	<b>25,000</b>
<b>Grants, Aids, and Subsidies:</b>	<b>Number of Grants</b>				
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Expenditures</b>	<b>Total</b>	<b>0</b>	<b>628,561</b>	<b>403,754</b>	<b>403,754</b>
<b>Fiscal Tracking (Dollars in Thousands)</b>		<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>1000 - General Fund (GF)</b>					
<b>Health Improvement BACT 01</b>		<b>0</b>	<b>629</b>	<b>404</b>	<b>404</b>
Administration		0	629	404	404
Grants		0	0	0	0

### Long-Term Fiscal Considerations

### Local Fiscal Impact

### References/Sources

#### **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Brendan Wright

**Phone:** 651-443-1415

**Date:** 4/8/2024 3:34:05 PM

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## SF4837 - 1E - Health Maintenance Org Transactions Oversight

Chief Author: **Melissa Wiklund**  
 Committee: **Health And Human Services**  
 Date Completed: **4/9/2024 10:31:56 AM**  
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	73	73	73
Total		-	-	73	73	73
Biennial Total				73		146

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	-	-	-
Total		-	-	-	-	-

## LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Susan Nelson **Date:** 4/9/2024 9:48:40 AM  
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### State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	73	73	73
Total	-	-	73	73	73
Biennial Total			73		146
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	73	73	73
Total	-	-	73	73	73
Biennial Total			73		146
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

### Bill Description

This bill extends existing nonprofit transaction notice requirements to the AGO over transactions constituting 10% or more of the HMO's assets. It excludes prior notice of such transactions with other charitable entities in accordance with section 317A.811, subdivision 6. The bill adopts the existing nonprofit 317A 45-day waiting period. However, it does not allow the AGO to exercise its discretion to waive the waiting period unless it has first conducted a public hearing.

### Assumptions

This bill extends existing nonprofit transaction AGO notice requirements for transactions constituting 10% or more of a nonprofit HMO's assets. The bill does not otherwise confer new restrictions or requirements governing the HMO's conduct in a manner that would increase the AGO's substantive authority. It also excludes prior notice of such transactions with other charitable entities in accordance with section 317A.811, subdivision 6.

The bill authorizes the AGO to hold public hearings, which is a tool the AGO already has through its existing discretion. The bill further adopts the existing 317A.811 45-day waiting period. It does not, however, allow the AGO to exercise the discretion it would otherwise have under 317A to waive the waiting period unless it first conducts a public hearing. Since the waiver of the waiting period would typically apply to smaller, less complex transactions, the bill contemplates that the AGO must hold public hearings before it can waive a waiting period on relatively small and routine transactions. This adds an element of complexity and expense to what would otherwise be a routine review if the AGO wants to allow a transaction to proceed prior to waiting period lapsing. This could increase expenses for the AGO if there are time considerations for the HMO.

The duties required, which will vary and be subject to the AGO's discretion, will be to receive and track the notices and review the filings. Depending on the transaction, the review may also involve coordination of public listening sessions and collecting and tracking that input. The AGO may also exercise its discretion to conduct a formal investigation into the transaction under existing authority, and depending on the outcome, bring an enforcement action to enjoin the transaction or seek other relief under the bill or existing authority, which the bill preserves.

This note presumes that significant transactions involving a complete corporate change or significant transfer of assets will be relatively infrequent. The note reflects a presumption of one such significant transaction every year. The Attorney General's Office estimates that it will expend 260 hours of attorney time and 100 hours of legal assistant (investigator/other staff) time per fiscal year on such transactions. This calculation is based upon a review of the number of hours the AGO expended in a prior investigation involving a significant transaction by an HMO.

The note further presumes an additional number of smaller and less complex transactions reflecting 10% or more of the HMO's assets. The AGO has limited data on how frequently such transactions might occur, and therefore presumes one such transaction every other month or 6 such transactions per year. Based upon the number of hours spent on one exemplar review of a matter under the newly enacted 145D.01, the AGO estimates each one will add an additional 18 hours of attorney time each for a total of 108 additional attorney hours per year. The AGO also presumes that at least one of these routine transaction reviews will require community meetings, adding an additional 30 hours of legal assistant time for each matter. This is based upon the approximate hours a legal assistant spent to coordinate meetings and compile input for community meetings related to a recent health care transaction.

The Attorney General's Office estimates that it will expend 368 hours of attorney time and 130 hours of legal assistant (investigator/other staff) time per fiscal year.

**Expenditure and/or Revenue Formula**

	Hourly Billing Rate	Hours	Total Cost to AGO [hours x billing rate]
Attorney, [list attorney division]	\$163	368	\$59,984.00
Legal assistant, [Investigator/other non-attorney staff]	\$103	130	\$13,390.00
Total		498	\$73,374.00

**Long-Term Fiscal Considerations**

n/a

**Local Fiscal Impact**

n/a



**References/Sources**

n/a

**Agency Contact:** Laura Sayles

**Agency Fiscal Note Coordinator Signature:** Laura Capuana

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**Date:** 4/3/2024 2:11:25 PM

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## SF4837 - 1E - Health Maintenance Org Transactions Oversight

Chief Author: **Melissa Wiklund**  
 Committee: **Health And Human Services**  
 Date Completed: **4/9/2024 10:31:56 AM**  
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-

## LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Shannon Zila    **Date:** 4/9/2024 10:31:26 AM  
**Phone:** 651-296-6053    **Email:** shannon.zila@lbo.mn.gov

### State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

### Bill Description

Senate File 4837-1E creates Minn. Stat. §62D.085 related to health maintenance organization (HMO) transaction oversight. In addition, SF 4837-1E updates Minn. Stat. §317A.811 requiring HMOs and nonprofit health service plan corporations provide notice to the Attorney General's office of certain transactions.

### Assumptions

Commerce assumes SF 4837-1E would have no fiscal impact on the agency as HMOs are regulated by the Department of Health and the notice requirements created by the bill and under the purview of the Attorney General.

Commerce also assumes any additional needs by the Department of Health may be negotiated under the current inter-agency agreement between Health and Commerce.

### Expenditure and/or Revenue Formula

N/A

### Long-Term Fiscal Considerations

### Local Fiscal Impact

### References/Sources

#### Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

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