



04/28/24

RE: Senate File 4699

Members of the Senate Finance Committee,

Medical Alley represents a global network of more than 800 leading health technology and care companies including representation from all corners of the state of Minnesota. Our mission is to activate and amplify healthcare transformation.

Recognized worldwide as a leader in healthcare innovation, Minnesota sets a standard for excellence – impacting local communities and influencing global health outcomes and advancements. With access, affordability, and quality as top priorities, Medical Alley and our partners are committed to developing solutions which drive meaningful change and save lives.

It is with these guiding principles that we express deep concern about the public option proposal put forward in Senate File 4699.

Access

A public option would pose a significant financial risk to hospitals due to a greater patient population paying lower reimbursement rates. According to a [report](#) from Minnesota Community Measurement, commercial plans pay 207% of what Medicare pays. As this proposal is structured with Medicare reimbursement rates, providers will receive less for the same services they were providing previously to patients under private plans.

With hospitals already under severe financial distress, expanding such a reimbursement structure would put them in a situation where they would face the risk of a service closure or operational closure, thereby limiting patient access to care. Such closures would exacerbate the current health equity challenges in rural communities, as Greater Minnesota residents must already travel longer distances to receive inpatient healthcare services.

Affordability

In order to pay for a public option, healthcare costs will inevitably have to increase across the ecosystem.

Minnesota's current provider tax of 1.8% on medical bills and hospital stays is the most significant revenue stream for the Health Care Access Fund, a major funding source for MinnesotaCare. As public option enrollments increase under this scenario, federal subsidies for new enrollees may be lower due to having an income higher than the typical profile of a MinnesotaCare enrollee. Increasing the provider tax will likely become a necessity to maintain the low premiums that current MinnesotaCare enrollees pay.



Raising this tax on providers will make the cost of care for patients – regardless of their health coverage – increase. Additionally, further tax increases will need to be considered to pay for the technical and operational costs of implementing and administering a public option program.

With an increase in enrollments moving from private plans to public plans, those who choose to continue coverage through the Individual Market and Small Group Market will see the costs of their premiums skyrocket.

As legislators analyze the recommendations from Minnesota Department of Commerce and Minnesota Department of Human Services for next steps based on the [Milliman study](#) on a potential state public option, we emphasize that the [recommendation report](#) says the study “does not capture the full fiscal impact to the state or the health care system more broadly.” These words should serve as a sign of caution about the impact of a public option throughout our health ecosystem.

Quality of Care

According to a [report](#) from FTI Consulting released in May of 2023, a public option would reduce the revenues a hospital receives by \$2.3 billion over 10 years because of lower reimbursement rates, even when accounting for an increase of enrollees in a public option.

With decreased financial resources available to employ the needed medical professionals, providers would be forced to lay off staff and reduce services, resulting in a lower quality of care for patients. As hospitals currently face widespread staffing shortages, a public option will only exacerbate this challenge, leading to longer wait times for emergency care and other admissions.

Medical Alley shares the goal of increasing affordable access to healthcare coverage for all Minnesotans. However, any proposal that would destabilize providers’ ability to deliver care for patients is the wrong mechanism to achieve that goal, as it would threaten access to healthcare and lead to higher costs for consumers.

Medical Alley respectfully urges legislators to oppose the public option proposal laid out in Senate File 4699.

Sincerely,

A handwritten signature in black ink that reads 'Peter Glessing'. The signature is written in a cursive, flowing style.

Peter Glessing
Senior Director of Policy and Advocacy
Medical Alley