



April 30, 2024

RE: Support for SF4699

Chair Marty and Members of the Committee,

TakeAction Minnesota is a grassroots, multi-racial people's organization that believes in a democracy and government that works for all of us. With our members, we advocate for policies that promote justice and fairness. For over 15 years, TakeAction Minnesota has worked to promote a people-centered healthcare system.

We write today to share our strong support for the HMO conversion regulations contained within Article 4, §§ 33-35 of SF4699.

In 2017, the legislature passed legislation to end the state's requirement that all HMOs be nonprofit. Even worse, the policy change did not include any changes to account for the presence of for-profit HMOs or regulations around the transfer of nonprofit assets to a for-profit entity. Although the Attorney General has authority to protect charitable assets, time and again across the country, the lack of notice, lack of transparency, and lack of a process by which to assess and protect the value of those assets has resulted in billions of dollars of public assets becoming private profit. We will see this happen here if we do not act.

TakeAction also strongly supports the sections in Article 4 reinstating the requirement for all HMOs to be nonprofit, however this is a companion, not a substitute, for conversion regulations. We have seen how easily non profit status was reversed in the past, and even if such a requirement is enacted this year, it could all too easily be struck again, as could the moratorium on conversions. Passing conversion regulations now adds oversight and protections of public benefit assets that are important regardless of the presence of for profit HMOs, and disincentivizes another midnight upheaval.

We have the opportunity to learn from experiences in other states, many of whom did not pass conversion regulations until many public benefit assets had already been stripped in the name of corporate greed.

In California, a \$3 billion dollar transfer of assets to two foundations came about after Blue Cross initially offered to donate only \$100 million to charity. Thanks to strong conversion regulations, they ensured all of those assets remained a public benefit.

Because of conversion protections in Maryland, the insurance commissioner was able to review the transaction when Wellpoint tried to buy CareFirst and hold public hearings around the state. There, they uncovered that \$75 million was set to go to corporate executives. That conversion was found to be not in the public interest and was denied.

In Ohio a controversial conversion proposal from one nonprofit inspired conversion legislation that was employed in a subsequent merger between a nonprofit and Anthem. But the review of the merger was not open to the public, only \$28 million in assets were protected, and the board of the new foundation included the for-profit insurer.

A lot is at stake in getting this right. Please support HMO conversion regulations,

Sincerely,

Robert Haider
Legislative Director
TakeAction Minnesota