

Reinsurance in Minnesota

FACT SHEET (SF0333)

January 2025

BACKGROUND

- Since 2017, Minnesota has spent **over \$1 billion** on state-funded reinsurance to lower premiums on the individual health insurance market, and **incurred \$500 million in federal funding cuts to MinnesotaCare** because of the program. [1]
- Minnesota is a national outlier in the scale of public subsidy for reinsurance - **SF0333 would cost an additional \$413 million.**
- Most states pay for reinsurance through fees on insurers, which the Governor's budget proposes. [2]

FACTS

Federal funding for MinnesotaCare is at risk again.

- Under the previous Trump administration, \$500 million in federal funding was cut to MinnesotaCare because of reinsurance.
- State lawmakers must anticipate the same legal interpretations and penalties against MinnesotaCare will be in effect.
- Any extension must explicitly protect and codify funding protections for MinnesotaCare.

No other state uses such excessive public subsidies to fund reinsurance.

- Minnesota spends 2 to 20 times more than other states for reinsurance.
- Most states require profitable insurers to contribute to the program.

Reinsurance has limitations.

- Federal enhanced premium tax credits are set to expire this year. Without Congressional action, premiums on the individual market will skyrocket in 2026 with or without reinsurance.
- The program does not address root causes of high healthcare costs or access issues. It displaces federal tax credits raising costs for some people, and subsidizes a market where 50% of Minnesotans are enrolled in high-deductible plans that are often too expensive to use. [3]

This bill threatens MinnesotaCare while depleting the general fund. Minnesota cannot afford any extension of reinsurance that does not explicitly **protect MinnesotaCare and **require highly profitable health insurance companies to pay for the program.****

A Better Alternative

Minnesota spends significantly more on reinsurance and relies on general funds, unlike most states. **Governor Walz's budget proposal funds reinsurance through an industry assessment, a better option that brings Minnesota into line with other states and protects our general fund.**

Table 1: Minnesota Reinsurance Spending Compared to Other States

State	Annual Cost Reported 2019–2021	Source of Ongoing Funds
Maryland	\$365 million	Insurer fee
Minnesota	\$271 million	State general fund
New Jersey	\$105.8 million	Fees and state funds
Georgia	\$92 million	State general fund
Oregon	\$90 million	Insurer fee
Colorado	\$87 million	Fees and state funds
Maine	\$59.6 million	Insurer and other fees
Alaska	\$55 million	Insurer fee
Pennsylvania	\$44.2 million	Other fees
Wisconsin	\$34 million	State general fund
Louisiana	\$24.8 million	Other fees
North Dakota	\$21.2 million	Insurer fee
Idaho	\$16 million	Insurer fee
Oklahoma	\$16 million	Insurer fee
New Hampshire	\$13.4 million	Insurer fee
Montana	\$12.4 million	Insurer fee
Rhode Island	\$8.3 million	Other fees
Delaware	\$6.9 million	Other fees

Source: State Health Access Data Assistance Center (SHADAC). Other sources of funding include provider assessments, premium taxes, health insurance marketplace reserves, individual mandate penalties, and assessments on third-party administrators and self-insured plans.

- [1] Federal cuts leave future of Minnesota's low-income health insurance program, MinnesotaCare, in question, Star Tribune, February 2018.
 [2] State Health Access Data Assistance Center (SHADAC). Resource: 1332 State Innovation Waivers for State-Based Reinsurance [Internet]. University of Minnesota, Minneapolis (MN) Available from: <https://www.shadac.org/publications/1332-state-innovation-waivers>
 [3] Draft transition and phase-out plan - individual market reinsurance program, DHS, 2021.