

SF565 - 0 - Health Plan Cost Defrayals

Chief Author: **Nick Frentz**
 Committee: **Commerce And Consumer Protection**
 Date Completed: **2/27/2025 9:31:02 AM**
 Lead Agency: **Commerce Dept**
 Other Agencies: **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		FY2025	FY2026	FY2027	FY2028
Commerce Dept					
General Fund	-	159	159	159	159
State Total					
General Fund	-	159	159	159	159
Total	-	159	159	159	159
Biennial Total			318		318

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
		FY2025	FY2026	FY2027	FY2028
Commerce Dept					
General Fund	-	.1	.1	.1	.1
Total	-	.1	.1	.1	.1

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:** 2/27/2025 9:31:02 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		FY2025	FY2026	FY2027	FY2028	FY2029
Commerce Dept						
General Fund	-	159	159	159	159	159
Total	-	159	159	159	159	159
Biennial Total			318			318
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Commerce Dept						
General Fund	-	159	159	159	159	159
Total	-	159	159	159	159	159
Biennial Total			318			318
2 - Revenues, Transfers In*						
Commerce Dept						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

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 Agency: **Commerce Dept**

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Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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Total	-	159	159	159	159	159
Biennial Total			318			318

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	.1	.1	.1	.1	.1
Total	-	.1	.1	.1	.1	.1

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:** 2/27/2025 9:30:38 AM
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State Cost (Savings) Calculation Details

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General Fund	-	159	159	159	159	159
Total	-	159	159	159	159	159
Biennial Total			318			318
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	159	159	159	159	159
Total	-	159	159	159	159	159
Biennial Total			318			318
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill requires Commerce to defray the cost of any enacted mandated health benefit, if the evaluation of that mandate projected a net increase in per-member, per-month (PMPM) costs for the total nonpublic insured population. This requirement applies to the individual, small group, and large group markets and applies to all mandated health benefits passed into law on or after January 1, 2026.

Assumptions

Commerce assumes that this bill only applies to requests made under 62J.26 benefit evaluations completed after this bill has passed.

Commerce assumes that there would be a fiscal cost associated with the annual defrayal requests from the health plan issuers. Commerce assumes that this would include actuarial review of the requests. Commerce assumes that each issuer request would take approximately 5 hours of an actuary's time to review at a cost of \$400 an hour. Commerce estimates there are currently 70 issuers with health plans that would be eligible for this premium defrayal payment. This estimate includes Medicare Supplement plans that provide mandated health benefits. Based on this, Commerce assumes that review of the defrayal requests would cost \$140,000 annually for each benefit mandate subject to this law (5 hours of review time x 70 issuer requests x \$400).

Commerce also assumes that it will take .10 of an analyst's (SPA Coord) time to draft the necessary guidance for health plans to submit their premium defrayal requests and to manage the premium defrayal payments. These estimates are consistent with costs Commerce currently assumes with the 62J work.

Commerce is unable to estimate the cost of the premium defrayal payments required by this bill.

Expenditure and/or Revenue Formula

\$140,000 actuary contract

.10 FTE SPA, Coord

		FY26	FY27	FY28	FY29
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Salary			11,401	11,401	11,401	11,401
Fringe			3,420	3,420	3,420	3,420
Other Personnel Related Costs			4,065	4,065	4,065	4,065
			18,886	18,886	18,886	18,886

Defrayal payments unable to calculate.

Long-Term Fiscal Considerations

Commerce assumes that the costs associated with this bill would significantly increase as the number of state benefit mandates increases. Because this proposal expands the scope of what types of health mandates the state would be responsible for defraying beyond the existing requirements under Federal law, the Department assumes that this proposal will significantly increase costs to the state. Commerce assumes that defrayal payments made pursuant to this law would be structured in the same manner as existing defrayal payments.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

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SF565 - 0 - Health Plan Cost Defrayals

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 Committee: **Commerce And Consumer Protection**
 Date Completed: **2/27/2025 9:31:02 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

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Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
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:** 2/18/2025 8:48:24 AM
Phone: 651-296-6053 **Email:** shannon.zila@lbo.mn.gov

State Cost (Savings) Calculation Details

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Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill codifies a statutory cost defrayal process required under federal law for situations when the federal government does not mandate a benefit for a qualified health plan, but the state does mandate the benefit. The bill specifies that defrayal payments must be made within 60 days of the date the commissioner of commerce receives a statement from the health plan company.

Assumptions

Because it is required by federal law, there is already a cost defrayal process which is implemented by the Department of Commerce. Though the Department of Health regulates health maintenance organizations (HMOs), and HMOs are impacted by the defrayal process, the cost defrayal process under the bill will continue to be implemented by the Department of Commerce. There will be no cost or impact on the Department of Health.

Expenditure and/or Revenue Formula**Long-Term Fiscal Considerations****Local Fiscal Impact****References/Sources****Agency Contact:**

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