

Re: Support for changes to Minnesota's Reinsurance Program (SF 2216)

March 17, 2025

Dear Chair Klein and members of the Senate Commerce Committee,

We are writing today to express our support for the proposed improvements to Minnesota's reinsurance program in SF 2216. They better protect Federal funding for MinnesotaCare and better preserve General Fund dollars for other critical priorities. Since 2017, Minnesota has authorized over \$1 billion for a state-funded reinsurance program to lower health insurance premiums for Minnesotans who purchase health care insurance on the individual market. Over time, Minnesota has become a national outlier in the scale of public subsidy for its reinsurance program. The changes to Minnesota's reinsurance program proposed in SF2216 address our two primary concerns with the program, detailed below:

Protections for MinnesotaCare

Under the first Trump administration, Minnesota was penalized due to its reinsurance program and lost over \$500 million in federal cuts to MinnesotaCare.¹ The state had to backfill this funding until the Biden administration issued a legal interpretation that protected federal funding for MinnesotaCare. SF2216 better prepares us should the Trump administration revert to its previous interpretation, by providing that reinsurance would not continue in that case.

Budget Impacts and Funding Mechanism

SF2216 asks insurers to pay for reinsurance, as they can afford to, and as they do in most other states. Minnesota has spent far more taxpayer dollars on reinsurance, allocating 2 to 20 times more funding than many states. Our state is also one of the few that pays for reinsurance through state general funds.² Without new funding, reinsurance would cost the state \$512 million, more than the revised projected budget balance,³ when there are many other pressing needs in the state and the forecast shows challenging times ahead. Health insurance companies in our state have been profitable and have the means to pay for an extension of this program.

However there are some limitations to reinsurance not fully addressed by these changes.

This costly program does not address the underlying causes of skyrocketing health care costs or health care access. It subsidizes a health care marketplace where 50% of Minnesotans are enrolled in high-deductible bronze plans that are often too expensive to use, saddling them and providers with medical debt. While households that earn over 400% of the FPL may see lower premiums from the program, it displaces federal tax credits for lower income Minnesotans, even

¹ Federal cuts leave future of Minnesota's low-income health insurance program, MinnesotaCare, in question, Star Tribune, February 2018.

² [Resource: State-Based Reinsurance Programs via 1332 State Innovation Waivers](#), SHADAC, November 2023.

³ <https://mn.gov/mmb/forecast/forecast/>

increasing premium costs for some.⁴ We continue to also support more targeted options, such as direct subsidies to enrollees, that would subsidize this market without reducing federal funding for APTCs and the BHP.

We are also very concerned that without federal action to renew enhanced premium tax credits set to expire this year, premiums for Minnesotans who buy health insurance on the individual market will skyrocket in 2026, with or without reinsurance. The impact of reinsurance will not be enough to allow many Minnesotans who lose federal assistance to stay insured. We appreciate the administration's advocacy to extend these credits, and urge state lawmakers to engage Minnesota's congressional delegation to renew enhanced premium tax credits. The expiration of enhanced premium tax credits will especially impact households earning more than 400% of the federal poverty level (FPL), the primary group helped by reinsurance.

We urge you to support the improvements to Minnesota's reinsurance program in SF 2216

Signed,

AFSCME Council 5
Committee to Protect Health Care
ISAIAH
Minnesota AFL-CIO
Minnesota Association of Professional Employees (MAPE)
Minnesota Farmers Union
Minnesota Nurses Association
SEIU Healthcare MN & IA
Unidos MN

⁴ Draft transition and phase-out plan - individual market reinsurance program, [DHS, 2021](#).