MINNESOTA COUNCIL of HEALTH PLANS

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Senate Health and Human Services Committee
Minnesota Senate Office Building
Saint Paul, Minnesota 55155

Dear Chair Wiklund, Lead Utke, and Members of the Committee,

The Minnesota Council of Health Plans, the trade association for Minnesota's nonprofit health plans (Blue Cross and Blue Shield of Minnesota, HealthPartners, Medica, Sanford Health Plan of Minnesota, and UCare) works every day to support access to high-quality affordable health care. We are writing to express our concern over several provisions contained in the Governor's Health and Human Services budget recommendations included in SF 2669.

HMO Surcharge Tax Increase

The first concern is the proposal to double the HMO surcharge from 0.6% to 1.25%. Every session, we hear concerns about the cost of health care and we are committed to the shared goal of keeping health care affordable and accessible. Nonprofit plans provide coverage for 94% of the fully insured market. As nonprofits, health plans do not have profits or shareholders to support, instead our historical 1-3% margins are reinvested to support Minnesotans. The surcharge increase of over $260 million would add costs that would be passed along to premium payers – increasing the cost of health care coverage for your constituents buying health insurance on their own and the small business owners who provide coverage for their employees.

The Minnesota Center for Fiscal Excellence recently released Health Care Taxes in Minnesota – a report summarizing the current landscape of health care taxes in our state. It shows that this tax increase would fall on markets that are already paying multiple other taxes. In addition to the HMO surcharge, plans pay a 1% premium tax to the Health Care Access Fund and a 3.5% premium assessment to help fund MNsure. Combined with the provider tax and the MA Hospital surcharge, taxes on this market would collectively exceed 9%. These taxes are significantly higher than what the largest employers pay on the self-insured market, which total 3.36%.

Beyond this tax increase, the Governor's proposal also increases several fees on HMOs that will only further exacerbate the pressures put on health care affordability for Minnesotans. The Council encourages the Legislature to focus on working to lower premiums and out-of-pocket costs, not increase them through more taxes and higher fees.

Prescription Drug Carve Out

Our second concern is the proposal to carve out the pharmacy benefit from the state's managed care program. The most important question that needs to be answered on this proposal is – will the lives of the 1 million Minnesotans enrolled in managed care be improved?

Minnesota implemented managed care almost 40 years ago because using only a fee-for-service model in Medical Assistance was providing poor access to care for Minnesotans served by public programs. Prescription drugs are a central component of these services and separating this benefit from managed care organizations (MCOs) and moving it back into the fee-for-service model will have a number of downstream impacts for enrollees. Separating out the pharmacy benefit will mean that enrollees who are used to being able to go to their MCO for all of their healthcare related needs and assistance, will now need to reach out to DHS or a separate entity for pharmacy-related concerns.

The managed care model provides several significant benefits to the state, but most importantly, it improves health outcomes because of care coordination performed by MCOs. Care coordination means serving the whole person and managed care is most effective when care management extends across all health care services. When MCOs do not have a direct line of sight into the pharmacy benefit, it has a detrimental impact on their ability best provide care for enrollees. Separating out the pharmacy benefit will make it challenging for MCOs to understand which enrollees may have a new diagnosis as evidenced by new prescriptions, to do medication therapy management, to stratify for clinical program enrollment, to identify enrollees that may have medication adherence issues, and to manage the pharmacy lock-in program to assist enrollees with high potential for medication misuse. Without oversight of the pharmacy benefit, MCOs will not be able to answer questions related to prescriptions or to help facilitate solutions – enrollees will be faced with a back-and-forth between DHS and their pharmacy.

As the committee debates this topic, we again ask, is this change proposed to improve the lives of the 1 million Minnesotans enrolled in managed care? A few years ago, the state embarked on a preferred incontinence program because of potential cost savings, which occurred, but also resulted in Medical Assistance enrollees not getting the products and care they needed which impacted their overall health. We should be focused on enrollee care and member experience first and foremost.

Sincerely,

Lucas Nesse
President and CEO