



April 1, 2025

Dear Members of the Senate Taxes Committee:

The Minnesota Chamber of Commerce represents over 6,300 businesses of all sizes and industries and over 500,000 employees in Minnesota. We advocate for public policies to strengthen Minnesota's business climate and to help grow Minnesota's economy.

We appreciate the opportunity to share our thoughts on Senator Wiklund's Senate File 1402.

Health insurance is an incredibly important benefit in this increasingly competitive labor market. It allows employers to attract and retain talent and helps ensure their employees stay healthy and productive at work.

Roughly three-quarters of our members who currently offer health insurance tell us they'll be forced to make significant changes to their offerings – including reductions in coverage and dropping coverage altogether – if costs continue to increase at their current rate.

Some have already had to make those hard decisions. One in five Chamber members who don't currently offer health insurance tell us it's because prohibitive cost increases forced them to drop the coverage they had.

Among the primary ways the Legislature directly impacts the cost of health care in the state are the benefit mandates and regulations it places on the insurance sold here, the health care taxes it imposes, and the underpayment of doctors and hospitals through our state public programs.

The Legislature hears from the Chamber often about the impact that benefit mandates have on the cost of care. The underpayment of doctors and hospitals by public programs has become an increasing concern for those who provide and pay for coverage in the commercial market. Because programs like Medicaid often pay these providers less than what it costs to deliver care, pressure has continued to mount on commercial payers to make up the difference.

Due to this, our members have asked us to encourage policymakers to address the growing cross-subsidization of public programs by the commercial market.

Very helpfully, SF 1402 would begin to do just that. However, we are concerned that the adoption of amendments in previous committees undermine the benefits of the bill's rate increases by funding them

through a new tax that will increase the cost of health insurance for those who rely on coverage in the state-regulated, fully-insured market.

This is particularly troubling at a time when recent state budgets have drained hundreds of millions from the Health Care Access Fund and spent billions in historic state surpluses – all without addressing the need to right size public program rates.

Health care affordability for employers and their employees is not getting easier. And the imposition of this new tax, potentially in conjunction with other new health care taxes being proposed and discussed this session, will push costs higher.

We believe the state has a responsibility to make good on the promises it has made to the enrollees who benefit from our public programs and the providers who care for them. But we do not agree with an attempt to fix this problem by adding more costs to those in the commercial market who are already struggling with affordability and who are already paying a significant premium to subsidize low public program payment rates.

Thank you for your consideration.

Sincerely,

Bentley Graves
Director, Health Care & Transportation Policy

Brian Cook
Director of Tax, Fiscal Policy, and Elections