



April 1, 2025

Dear Members of the Senate Taxes Committee,

On behalf of the Minnesota Chamber of Commerce, representing 6,300 employers and their more than 500,000 employees across the state, I am writing to share our thoughts about SF 2413 (Mann).

In the last ten years, the number of Minnesotans who get health coverage through public, government insurance programs like Medicare and Medicaid has grown considerably. At the same time, the number who have private, commercial coverage has shrunk. Today, about 64% of a hospital's patients are covered by government insurance programs. For some, this figure has grown to as much as 70%.

The problem with this trend is that these government programs pay doctors and hospitals less than what it costs to deliver care. The state's Medicaid program, for example, pays about 27% below the cost of care, resulting in a roughly \$1.4 Billion annual shortfall for hospitals and health systems in 2023.

This 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 hospitals shift costs to private, commercial payers to compensate for government underpayments.

As pressure has continued to mount on commercial payers to make up the difference, our members have asked us to encourage policymakers to address the growing cross-subsidization of public programs by the commercial market.

Very helpfully, SF 2413 would begin to do just that.

We want to thank Sen. Mann and the Minnesota Hospital Association for the careful, thoughtful, deliberate, and collaborative way in which this bill has been brought forward. This proposal attempts to build out an effective and efficient funding mechanism to draw down increased federal Medicaid payments for hospitals, and we greatly appreciate the extent to which it also aims to ensure the integrity of the program and avoid harmful unintended consequences.

We would note, with some frustration, the fact that 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.

But the reality is, the hospitals in this state are facing a crisis, and the growing cross-subsidization of public programs by the commercial market only adds to the affordability challenges faced by many with private insurance. Without action, these problems will only grow.

So, we again want to thank the hospitals for their initiative in finding a solution. Sf 2413 will begin to relieve some of the financial pressure on hospitals brought about by Medicaid payments that are well below cost – allowing them to better contend with rising labor and input costs in their efforts to continue providing vital services and care to the individuals and communities they serve.

At the same time, we expect that the bill's method of increasing Medicaid rates through increased federal funds will relieve some of the cross-subsidization burden that pushes up costs for those with private insurance. With the 9th highest family premiums and the 13th highest individual premiums in the country for employer sponsored insurance, help cannot come soon enough for these Minnesotans.

We encourage the Committee's support of this bill, and we look forward to working with the author, the hospital association, and its members to ensure its ability to deliver relief.

Thank you for the opportunity to provide this input.

Sincerely,

Bentley Graves Director, Health Care & Transportation Policy

Brian Cook Director of Tax, Fiscal Policy, and Elections