

April 22, 2025

**RE: Support for Replacing Reinsurance with Direct Premium Subsidies (SF2669)**

Dear Chair Rest and Members of the Senate Taxes Committee,

We urge your strong support for the premium subsidy proposal in the Health and Human Services omnibus bill SF2669 (A6-Article 22, Sections 2-5). This would provide more efficient and effective support to Minnesotans without access to employer coverage by replacing the “reinsurance” program with direct financial assistance to enrollees who do not receive federal Advanced Premium Tax Credits (APTCs).

Minnesota’s reinsurance program has been a costly approach to stabilizing the individual insurance market, receiving nearly a billion dollars in general fund and Health Care Access fund dollars since 2018. Half of the program’s funding merely offsets federal APTCs rather than providing real additional savings to consumers. In other words, many of the people we are paying insurers to help actually see no difference in their premiums from the program, and those who choose lower deductible plans may even pay more due to interactions with APTCs.

Additionally, under the policies of the first Trump administration, over \$700 million was diverted from MinnesotaCare, a critical safety-net program serving lower-income Minnesotans. We cannot afford to risk more Trump cuts to MinnesotaCare under a 1332 waiver reinsurance extension. Instead of continuing this inefficient spending, these provisions would ensure that premium relief reaches those who need it most—middle-class Minnesotans who are ineligible for federal subsidies.

By redirecting these funds to direct subsidies, this approach offers a more targeted, equitable, and fiscally responsible solution. At a time that federal attitudes toward healthcare are uncertain at best, this approach wisely does not depend on federal approval nor put MinnesotaCare at risk. The individual market needs and deserves support, and this bill would effectively target resources to supplement, not displace, federal subsidies.

In this time of federal instability, we would encourage the adoption of the proposed assessment on health plan companies in order to continue to support this market while conserving state resources for lower income, elderly and disabled Minnesotans. Insurers benefit from the market stability offered by state and federal subsidies of the private market, even when the subsidies are more directly targeted as in this proposal.

We strongly urge the committee to support this proposal and advance policies that prioritize affordability and financial relief for Minnesota families. Thank you for your leadership and commitment to improving health care accessibility in our state.

Sincerely,

