Re: Opposition to Permanent Extension of Reinsurance (HF 3388 & HF 4106)

March 26, 2026

Dear Chair Klein and members of the Senate Commerce Committee,

We are writing today to oppose the proposal to permanently extend the state's reinsurance program to lower health insurance premiums for Minnesotans who purchase health care insurance on the individual market, without repairing the harms to MinnesotaCare or protecting against future harm. Since 2017, Minnesota has authorized over $1.2 billion dollars in state funding for the reinsurance program. That funding came 55% from the General fund and 45% from the Health Care Access Fund, in addition to over $500 Million in lost BHP revenue due to interactions with reinsurance. However the General Fund has been repaid nearly 80% of it's investment, while the HCAF has not been repaid and now faces a deficit by FY 2028.

Minnesota has been an outlier in the scale of public subsidy for reinsurance. Last year the legislature authorized another $145 Million in HCAF funding for reinsurance (included in the figures above), and authorized a self-funding assessment on health plans for the 2027 plan year if needed, along with a provision to refund this assessment to the plans in 2029. This extended reinsurance through the end of our current 5 year federal authorization. SF 3936 makes reinsurance and the self-funding mechanism permanent. We are unclear if or how the proposed assessment-refund is addressed.

At a time when Minnesota is facing drastically increased state share of MinnesotaCare and Medicaid costs due to HR1, the potential side effects of extending reinsurance must be well understood and protections codified to prevent future penalties and repair past harms.

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. We must be prepared for the Trump administration to revert to its previous interpretation if Minnesota must apply for a new reinsurance authorization. It is unacceptable and fiscally irresponsible to proceed with any extension of reinsurance that does not protect MinnesotaCare from federal cuts, particularly at a time when Minnesota is facing a drastically increased state share of MinnesotaCare costs due to HR1. **Protections must be codified to prevent future penalties.**

Budget Impacts and Funding Mechanism

Minnesota has allocated 2 to 20 times more state funding for reinsurance than many states.[2] The legislature took steps last year to change to a self-funded program, but delaying the onset of that assessment hastened the HCAF deficit by a full year. This will have a roll over effect on

[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.

the General Fund, in addition to the possible GF impacts of the assessment tax refund mentioned above. **Any future years of reinsurance must be funded by insurers.**

Reinsurance is not a silver bullet. Shockingly, Congress did not extend enhanced premium tax credits, resulting in skyrocketing premiums for Minnesota families that are expected to push many families out of coverage and create a rate spiral that outpaces the potential influence of reinsurance. 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 more than 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 increasing premium costs for some.[3]

Thank you for ensuring reinsurance is not extended without these measures to protect MinnesotaCare and responsibly steward state funds.

Signed,

AFSCME Council 5
AFSCME Council 65
Committee to Protect Health Care
ISAIAH
Minnesota AFL-CIO
Minnesota Association of Professional Employees (MAPE)
Minnesota Nurses Association
SEIU Healthcare MN & IA
Unidos MN

[3] Draft transition and phase-out plan - individual market reinsurance program, DHS, 2021.