March 26th, 2026

Chair Klein and Members of the Committee on Commerce and Consumer Protection,

Americans for Prosperity–Minnesota (AFP-MN) supports continued efforts to strengthen Minnesota's individual health insurance market in a way that lowers costs and prioritizes patients. As lawmakers consider the future of our market stabilization efforts, it's important to be clear about what reinsurance does—and what it doesn't do.

Reinsurance is, at its core, a public subsidy to insurers to help them cover the costs of high-cost enrollees. In Minnesota's case, under our current waiver program, the state reimburses insurers for a percentage of claims between roughly $50,000 and $250,000. This is known as a claims-based model—similar to programs in states like New Jersey, Oregon, and Pennsylvania.

The benefit of this structure is straightforward: by effectively separating the highest-cost claims from the broader risk pool, average premiums in the individual market are reduced for everyone. It is a practical, predictable way to stabilize premiums. Because the state can estimate how many claims will be offset, the average premium reduction is relatively easy to quantify. That predictability makes reinsurance an effective and defensible tool. We support reinsurance because it works.

At the same time, it's important to recognize that reinsurance is only one tool—and not the only reform available. If we are serious about long-term affordability and patient-centered reform, we should not frame this debate as either reinsurance or direct assistance to individuals. The two are not mutually exclusive. In fact, all else being equal, funding patients directly is the more powerful reform.

When public subsidies are directed to insurers, as with reinsurance, the effect is indirect. When public dollars are directed to individuals—whether through vouchers, targeted tax relief, or deposits into personally owned, tax-advantaged Health Savings Accounts—the impact is broader and more empowering. Direct support incentivizes consumers to shop for value, increases transparency, and gives families greater control over their health care decisions.

While it is harder to precisely model how much premiums will decline when individuals are empowered to make value-driven decisions, the long-term benefits are stronger: more competition, more innovation, and more consumer choice.

The ideal scenario is not choosing between stabilizing markets and empowering patients. The ideal scenario is doing both—maintaining tools like reinsurance to stabilize premiums while moving toward a system where individuals, not institutions, control their health care dollars. Minnesotans want affordability. They want predictability. But they also want choice and control.

Senate File 3936 represents an important step in strengthening our market and continuing reforms that lower costs. I encourage lawmakers to support it—and to keep working toward a future where health care dollars follow patients, not systems.

Sincerely,

RaeAnna K. Lee

RaeAnna K. Lee
Legislative & Coalitions Director, Minnesota
Americans for Prosperity
rlee@afphq.org