Dear Legislative Leaders:

I am writing to follow-up on my August 23rd letter and provide additional information about our work to design and develop Minnesota’s state-based health insurance exchange.

Our goal is to design a Minnesota Health Insurance Exchange that gives over 1.2 million Minnesotans – both individuals and small businesses – more affordable options for choosing high quality health insurance. While the Affordable Care Act continues to be debated in the political arena, the law is clear: either we design and implement a state-based exchange, or we will be assigned to a one-size-fits-all Federal exchange. Given this reality, we cannot afford to put exchange planning and development on hold. We can, however, wait to make final policy decisions until after the November elections. This is what we intend to do.

Last October, I issued an Executive Order charging the Department of Commerce with the role of designing and developing a state-based exchange. We established an inclusive, non-partisan Health Insurance Exchange Advisory Task Force with broad representation. In the 2012 Legislative Session, I supported bipartisan legislation to codify a health insurance exchange in state law based on the Task Force’s initial recommendations. The Task Force will continue to provide recommendations over the next few months on what Minnesota’s exchange should look like.

There is consensus among the Administration, stakeholders, and even some Republicans in the Legislature that a state-based exchange is better for Minnesota than a Federal exchange. I ask you to work with us to build on the recommendation of the Exchange Task Force to design a Minnesota Health Insurance Exchange with a public/private partnership as a governance model. This model gives us the flexibility to capitalize on the strengths of private sector expertise and also be able to use the Exchange for public health care programs like Medicaid, which will save money and streamline enrollment and eligibility.
Since the conclusion of 2012 Legislative Session, we have continued working to preserve Minnesota's options for a state-based exchange. We secured $28.5 million in federal grants, and recently submitted an application for an additional $42.5 million in federal grants to build the necessary infrastructure for an exchange. We have negotiated one of the least expensive information technology contracts in the country for our exchange technology platform. We hired an Executive Director and twelve fulltime staff to guide the development work and to provide the expertise needed for this complex planning process. Due to the excellent work of our staff, Minnesota is now considered one of the top states in the nation in terms of functional and infrastructure readiness for a state-based exchange.

States seeking to operate a state-based exchange must submit an application to the federal government by November 16, 2012. Let me be clear: my administration will not commit Minnesota to any final policy decisions in this application, such as how it will be financed or its permanent governance structure. Due to the great flexibility of the federal approval process, we can request conditional approval in November, and then make these important policy decisions early in the 2013 Legislative Session. I respect the authority of the Legislature to participate in these decisions, and strongly prefer that we all work together to make these crucial choices.

The Department of Commerce has done an excellent job of launching the design and development of the Exchange. Going forward, I am directing Minnesota Management and Budget (MMB) Commissioner James Schowalter to assume responsibilities for the next phase of Exchange development. This move will address the concern that certain core functions of the Exchange — providing health insurance options to individuals and small employers — are potentially in conflict with the Department of Commerce's role in regulating insurance companies and the sale of health insurance products. Additionally, MMB has the capacity and experience with financial oversight and human resources required for the next phase of designing and developing the Exchange. MMB will have responsibility for all financial, human resource, contractual and development activities related to the Exchange. Executive Director April Todd-Malmlov will report directly to Commissioner Schowalter. Commissioner Schowalter will work in close consultation with the Commissioners of Commerce, Human Services, Health, and MN.IT.

The exhaustive work of the external stakeholders on the Health Insurance Exchange Advisory Task Force will continue, with Commissioner Schowalter serving as the ex-officio Chair. The Commissioners of Commerce, Human Services, Health, and MN.IT will serve as ex-officio members. The work of the hundreds of participants and the discussions in dozens of public meetings over the next few months will be vital for completing formal recommendations and
options that will form the basis for our discussions with legislators in early November and into next year. Attached to this letter is a summary of the planned meetings of the Health Insurance Exchange Advisory Task Force over the next two months and their proposed agenda items. In these public meetings there will be extensive discussion of the Federal application process, our progress to date, and a review of our grant applications and budgets. In addition, the Health Reform Task Force will meet in October and November to review the status of exchange development and options for key policy decisions including governance, finance, market rules and broker/navigator options. The Health Insurance Exchange Advisory Task Force is expected to deliver recommendations to the Legislature and Governor by the end of December, which we will be able to consider in the 2013 legislative session.

Minnesota has a nation-leading health care system, and we have the responsibility to protect our strengths even as we move forward with implementation of the Affordable Care Act. The changes I have outlined here will protect Minnesota’s interests and prepare us for the important and necessary health care policy discussion of the coming session. I look forward to working with you on these important issues.

Sincerely,

Mark Dayton
Governor

cc: Mr. Mike Rothman, Commissioner, MN Department of Commerce
Ms. Lucinda Jesson, Commissioner, MN Department of Human Services
Dr. Edward P. Ehlinger, MD, MSPH, Commissioner, MN Department of Health
Mr. James Schowalter, Commissioner, MN Dept. of Management and Budget
Ms. Carolyn Parnell, Commissioner, MN IT Services
Senator David W. Hann
Senator Chris Gerlach
Senator Tony Lourey
Senator Ann H. Rest
Representative Joe Hoppe
Representative Jim Abeler
Representative Steve Gottwalt
Representative Thomas Huntley
Representative Joe Atkins
Representative Tina Liebling