



STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

August 23, 2012

The Honorable David H. Senjem
Senate Majority Leader
121 Capitol Building
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

The Honorable Thomas M. Bakk
Senate Minority Leader
147 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

The Honorable Kurt Zellers
Speaker of the House
463 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

The Honorable Paul Thissen
House Minority Leader
267 State Office Building
100 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, Minnesota 55155

Dear Legislative Leaders:

I want to update you on our progress in the design and development of a Minnesota-based Health Insurance Exchange.

During the 30 months since the Affordable Care Act became law and the two months since the U.S. Supreme Court upheld its constitutionality, we have worked hard to ensure we will have designed by year's end a Minnesota-made Exchange. If we fail to do so, under current law we would be assigned to the "one-size-fits-all" federal program.

We are designing the Exchange to offer a new marketplace for Minnesota citizens and small businesses to compare and choose affordable health insurance coverage. It will also enable small businesses to choose better, more affordable health insurance options for their employees.

This new marketplace aims to:

- Help more than 1.2 million Minnesotans choose quality, affordable health care coverage for themselves and their families. Minnesota families alone are expected to save as much as \$1 billion per year in lower health care costs.
- Assist small businesses and their employees in reducing the cost of their health insurance and streamlining their administration of health plans. Small employers can expect to save up to 7.5 percent of their premium costs for their employees. Employers with less than 25 employees are eligible for certain tax credits that would save them even more.
- Streamline and modernize Medicaid eligibility and enrollment systems, helping as many as 700,000 Minnesotans to obtain more cost-effective health coverage and reducing the program's costs.

Our Department of Commerce and its partner agencies (the Departments of Human Services, Health, Management and Budget, and Office of Enterprise Technology) will continue to collaborate on the Exchange. Minnesota has already been awarded \$28.5 million from the federal government for the design and development

work on the Exchange. Those funds have been spent on information technology contracts, Exchange staff, hardware, software, and consultant services. Minnesota has requested and spent far less federal money for its Exchange design and development work than other states as far along in the process. Rhode Island has received about \$100 million, Washington State has received over \$150 million, and Maryland has requested nearly \$200 million.

We are making efforts to encourage Minnesota-based companies to bid on this work. Regrettably, a local company withdrew its bid from consideration for the IT contract.

Last Wednesday evening, my administration submitted a request to the federal government for an additional \$42.5 million to continue Exchange design and development prior to the January 2013 deadline for certification. Those funds would allow our development work to continue to advance. In January 2013, the new Legislature and I will be able to better assess the options for Minnesota and determine how we want to proceed. The Exchange Task Force, my department heads, and I stand ready to work with you at any time.

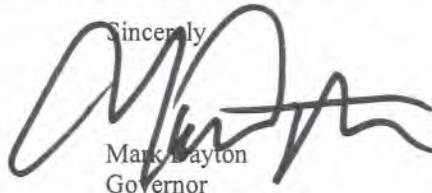
Federal law requires the State of Minnesota to present an initial plan to the federal government showing how our state-based Exchange will operate by November 16, 2012. Current federal law requires those plans to be approved or rejected by January 1, 2013.

In order to meet those deadlines, my administration will continue to advance the design and development work sufficiently to warrant federal certification of our Exchange. **However, I will inform the U.S. Department of Health and Human Services that no final decisions regarding Minnesota's Health Insurance Exchange can be made by my administration prior to the upcoming election. Legislators will have the opportunity thereafter to review options and participate in the final decisions.**

We are striving to make this process as transparent as possible and open to all Minnesotans wishing to participate. We are pleased that the seven regional "Listening Sessions," attracted over 300 Minnesotans offering their ideas and recommendations. The Task Force and associated Working Groups will continue to meet publicly and collect input from consumers, small and large business representatives, patient advocates, providers, plan administrators, insurance agents, tribal leaders, and state legislators.

My staff and I are happy to meet with you and your Members or to provide you with further information about this design and development stage. Additional details about the new federal grant request will be available prior to the next scheduled meeting of the Legislative Advisory Commission.

Sincerely



Mark Dayton
Governor

cc: 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