Senate File 720 – Dahms – Reinsurance
Thursday, March 9, 2017
MN Senate Finance Committee (Chair Rosen)
Written Testimony of Twila Brase, President and Co-founder

Madame Chair and members of the committee:

We oppose this bill. Let me begin by with a reminder of what happened to the federal reinsurance program under Obamacare. It came up $2 billion short and the GAO ruled that HHS diverted billions illegally to insurers. Does MN have a backup plan that’s not a bailout when and if there’s a shortfall?

Second, this bill takes much of the “transfer of risk” function away from insurers for the entire individual market and lays it on taxpayers who will pay 80% of all medical bills between $45,000 and $250,000. Taxpayers will cover up to $164,000 of the cost of patients in the individual market after $45,000. This huge donut hole is a major shift in state tax and health policy. (see attached diagram)

This bill creates a new large government program for the individual market, the Minnesota Premium Security Plan. It doesn’t look like Minnesotans will be told they’re in this government program, but as soon as their costs rise high enough, their data will be shared through a special portal with the government-established entity running this program. It doesn’t look like they’ll hear about the data-sharing either. They’ll think the health plan is paying. It’s invisible to the public, and its enrollees.

This is not like MCHA, where people applied and got coverage and they knew they were in MCHA. This new program has no sunset and it’s not MCHA, which had a higher premium cost and was only for people with pre-existing conditions, not the entire individual insurance market. It’s a boon for health plans and a bane for taxpayers.

A few more items of concern:

Line 3.17 requires insurers to report what they would have charged. This seems to give the health plans a golden opportunity to make claims that are to their own advantage.

Beginning at line 3.27, the bill grants the MCHA Board the authority to develop program parameters for year 2019. Given health plan representation in MCHA, it seems like the fox guarding the hen house.

It’s also a bit of a shell game. In Obamacare, people were told that they could find premiums below $100, but that wasn’t true. They may have paid only $75, but the rest of the premium was paid by taxpayers. Likewise, people in this government program may be paying lower premiums every month but that doesn’t mean the costs will be any lower. It just means taxpayers will be paying the difference.

Line 7.26 establishes a “reinsurance fund account” to collect federal, MCHA and state funds, including $190 million from the Health Care Access Fund in both 2018 and 2019 (Sec 8). When and if federal and state funds do not fully fund the program, how will this plan be funded? CCHF has long supported the sunset of the MinnesotaCare provider tax and do not support legislation that could lead to its continued existence or the existence of the Health Care Access Fund in perpetuity.