MINNESOTA

February 01, 2024

Senator Matt D. Klein, Chair
Commerce and Consumer Protection Committee
95 University Ave. W.
Minnesota Senate Bldg., Room 2105
St. Paul, MN 55155

Senator Gary H. Dahms, Ranking Member
Commerce and Consumer Protection Committee
95 University Ave. W.
Minnesota Senate Bldg., Room 2219
St. Paul, MN 55155

Senator Melissa Wiklund, Chair
Health and Human Services
95 University Ave. W.
Minnesota Senate Bldg., Room 2107
St. Paul, MN 55155

Senator Paul J. Utke, Ranking Member
Health and Human Services
95 University Ave. W.
Minnesota Senate Bldg., Room 2403
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Representative Zack Stephenson, Chair
Commerce Finance & Policy Committee
449 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Representative Tim O'Driscoll, Ranking Member
Commerce Finance & Policy Committee
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Representative Tina Liebling, Chair
Health Finance and Policy
477 State Office Building
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Representative Joe Schomacker, Ranking Member
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Dear Senators and Representatives,

The 2023 Minnesota State Legislature directed the Minnesota Department of Commerce (Commerce) and the Department of Human Services (DHS), in consultation with the Department of Health and MNsure, to complete an actuarial and economic analysis of different public option models, including a public option that expands MinnesotaCare. The state retained Milliman, a nationally known actuarial firm, to conduct this work. **This analysis is a significant step in moving Minnesota closer towards having a public option** available for those who need affordable and dependable health care coverage and **provides a needed framework to advance these conversations with policymakers and stakeholders.**

Summary of Public Option Analysis

In accordance with Laws of Minnesota 2023, Chapter 70, Article 16, Sections 20-21, the Milliman actuarial report analyzes the following:

- Projected federal pass-through funding Minnesota may receive;
- The costs to the state for providing public option coverage to enrollees (excluding technical and operational costs to agencies for implementing and administering the program); and
- The impact the program may have on enrollee premiums and other out-of-pocket costs.

The report presents two public option designs modeled by Milliman in the report:

Model 1 allows households with incomes above 200% of the federal poverty level (FPL)[1] to "buy in" to a product that is identical to the state's existing MinnesotaCare plan.[2]

Model 2 establishes a qualified health plan (QHP) at platinum, gold and silver levels that would be sold on MNsure, the state's health insurance marketplace. This version of a public option would allow Minnesotans with incomes over 200% FPL to purchase a platinum level QHP that closely resembles what is available via MinnesotaCare both in terms of benefits covered and what people must pay towards their medical costs. In this model, people may also be eligible for federal or state premium subsidies.

Both models rely on private insurers to deliver this coverage, but they leverage existing state processes, oversight and infrastructure differently. Importantly, neither model impacts the eligibility, operations or structure of the MinnesotaCare program for existing MinnesotaCare enrollees.

Milliman examined four different scenarios within each model. These scenarios vary in how much **providers are paid**, offering options at current MinnesotaCare reimbursement levels and Medicare reimbursement rates. They also offer options for premium amounts that **people enrolling in a public option would pay**. These variables impact how many people may choose to enroll in a public option, the estimated amount of federal funding the state may receive and what the state may need to contribute to the program.

[1] In 2023, 200% of the federal poverty level was $29,160 for a household of one or $60,000 for a household of four

[2] A summary of MinnesotaCare benefits can be found here: https://mn.gov/dhs/people-we-serve/adults/health-care/health-care-programs/programs-and-services/minnesotacare-coverage.jsp

Stakeholder Input

Commerce and DHS met with, and took input from, a wide range of stakeholders including consumer advocates, community organizations, health plans, hospitals, provider groups, labor organizations, and representatives from the business community to shape how Milliman structured its models.[3]

Feedback from these stakeholders led to adjustments for variables such as the monthly premiums and cost-sharing levels, eligibility criteria, available benefits, and provider reimbursement levels.

Milliman's analysis is intended to provide directional information on what level of state financing is needed to fund the program annually and how that level of needed funding changes depending on how the program is structured. Decisions on how to structure, set-up, and maintain the operation of the program all contribute to the overall cost of standing up and running a public option in Minnesota.

Milliman Report Summary Findings

Estimated annual costs do not include any of the state's operational and administrative costs to implement and sustain the program. Cost estimates also vary based on the number of people enrolling in the program, the generosity of the covered benefits and enrollee cost-sharing, the amount people enrolling in the program are expected to contribute, and provider reimbursement levels.

Milliman estimates the annual cost to the state under model 1 to be between $113 million and $364 million and between $86 million and $187 million for model 2. Milliman also estimates that between 107,000 and 151,000 Minnesotans would enroll in a public option.

Please refer to Tables 2A and Table 2B in the executive summary of the report for a summary of these costs and for additional detail on the assumptions and methodology behind these numbers.

Recommendations

The models examined by Milliman **show promise and could be a foundation to further refine a future public option proposa**l to reduce premiums and out-of-pocket costs for many Minnesotans who purchase health insurance in the individual market. The report is a guide to help policymakers understand the actuarial impacts of these two public options structures.

[3] These organizations include: HealthCare for All; Health Plan Partnership of Minnesota; ISAIAH; Minnesota Academy of Family Physicians; Minnesota's Ambulatory Surgery Centers; Minnesota Association of County Health Plans; Minnesota Association of Health Underwriters; Minnesota Chamber of Commerce; Minnesota Council of Health Plans; Minnesota Farmers Union; Minnesota Hospital Association; Minnesota Medical Association; NAMI; Service Employees International Union

We recommend that the Legislature continue its analysis of a public option and address several outstanding policy, budget, and implementation questions outlined below.

Both models examined by Milliman suggest access to lower-cost care through the Public Option whether through lower premiums, out of pocket costs, or both. The report does not capture the full fiscal impact to the state or the health care system more broadly. In other words, **the report should not be read as a replacement for a fiscal note** that would more fully capture total costs of operating a public option. Both public option models would change how state agencies serve Minnesotans; while those applicable questions were outside of the scope of the required actuarial analysis, these implications should be considered as part of any final proposal. In addition, **it provides only a portion of the information needed to apply for a Federal 1332 waiver to operate the program**.

While the report provides a framework for advancing consideration of adopting a public option in Minnesota, critical decisions remain before the State could engage in more detailed discussions with federal regulators and submit a complete (and approvable) 1332 Waiver application. Additionally, while Milliman report projects potential costs to pay for this health coverage, it does not analyze options for the source of the state's payments or suggest additional revenue streams.

We recommend the legislature continue its analysis of a public option and address several outstanding issues beyond the scope of this report.

We recommend that the legislature:

1. **Conduct an equity analysis** to understand how the public option would address existing health disparities by race, ethnicity, gender, sexual orientation, immigration status and geographical location. Additional data and an equity analysis is needed to better understand the impact either public option model would have on existing disparities for people of color, Indigenous community members, women, members of the LGBTQIA+ community, people with disabilities, immigrants, and people in all zip codes and of all economic statuses.

2. Recognize the impact of operational and administrative costs, including:
    - **Potential changes in federal funding:** The Milliman analysis addresses the necessary guardrails for Minnesota to be eligible for federal funding including: 1) ensuring that the public option models provide coverage to at least as many people as the Affordable Care Act would provide without the waiver, 2) providing coverage that is at least as comprehensive as coverage offered through the MNsure marketplace, 3) providing protections that out-of-pocket spending is at least as affordable as Marketplace coverage, and 4) does not increase the federal deficit. It also assumes a reasonable interpretation of current federal guidance that would hold other federal funding harmless. However, further study and discussion with federal officials would be required to better understand the public option's impact on current federal funding. The

legislature should consider the impact to current programs should these assumptions change or no longer be true.

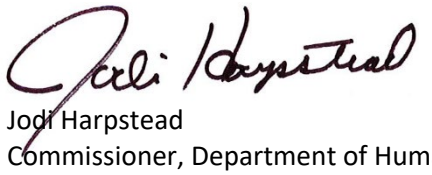
- **MNsure funding:** Each model—particularly model 1—has the potential to significantly change MNsure's revenue streams yet assumes that MNsure would continue to be available to help Minnesotans shop, compare and choose health insurance coverage that best meets their needs. Care should be taken to ensure that the state continues to adequately fund the enrollment services needed to support a state-based marketplace.
- **IT builds:** Both models will require changes to existing IT infrastructure and will require changes to existing platforms, including identifying the specifications and ongoing financial support for new or revamped eligibility and enrollment systems.
- **Additional cost projections:** This includes costs associated with completing the required 10-year actuarial and economic analyses that must be submitted as part of the state's 1332 Waiver application. It is also important to understand how implementation of the public option and changing market dynamics will impact the range of the state's financial obligations.
- **Staffing needs at DHS, MNsure, MDH, Commerce.**

3. Provide direction and evaluate the cost implications of:
    - **2026 Market Changes**: Changes such as the expiration of the additional Federal advanced premium tax credits and the state's reinsurance program could cause individual insurance enrollment to drop prior to the implementation of the public option. Understanding how these changes could impact enrollment in the public option, as well as potentially diminish federal funding to support these changes, is critical for projecting the state's full potential costs associated with a public option program.
    - **Provider Reimbursement:** The Milliman analysis looks at current MinnesotaCare rates and Medicare reimbursement rates. Through conversations with stakeholders, some providers (in particular, certain types of providers such as those who are part of a primary care team or those who already serve a large Medicaid population), may be adversely impacted by a public option as modeled. Examining what is modeled in this report in context with other analysis of provider reimbursement rates will be essential for making an informed public policy decision on appropriate provider rates and a mechanism for setting these rates moving forward. Decisions made by the legislature regarding provider reimbursement rates will significantly impact overall cost projections for a public option for the state beyond what is modeled in the Milliman analysis.
    - **Enrollment specifications:** A simple and well-functioning enrollment pathway will be critical to ensuring eligible Minnesotans are able to enroll in the public option. The two models presented in the report would require different enrollment paths for consumers to choose and enroll in a public option. The legislature should consider how to structure the enrollment platform, conduct outreach, and support people to enroll in public option coverage.

Thank you for entrusting us with this important project. We look forward to working with the legislature to move us toward implementing a public option in Minnesota.

Sincerely,

Grace Arnold
Commissioner, Department of Commerce



Jodi Harpstead
Commissioner, Department of Human Services

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