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**Senate File 482 (Klein)/House File 544 (Freiberg)**

Dear Chair Klein and Chair Freiberg,

The National Federation of Independent Business (NFIB) represents 10,000 small businesses in every corner of Minnesota. Our average member employs 10 Minnesotans and earns \$500,000 in gross annual sales. NFIB's mission is to advocate for the best interests of Main Street.

NFIB opposes SF 482/HF 544 in its current form due to the likelihood that it will increase the cost of providing employer-sponsored health coverage. By restricting how employer-sponsored health plans design networks, the bill makes it harder for small businesses to control healthcare costs and more difficult to continue offering a benefit that is crucial to competitiveness.

Networks that meet adequacy requirements are one of the few healthcare cost containment tools still available to small employers under state or federal law. This legislation would effectively eliminate the ability of employers to utilize networks in managing the cost of an increasingly expensive class of pharmaceuticals, clinician-administered drugs.

According to a research letter published in JAMA Internal Medicine, clinician-administered drugs account for one third of all pharmaceutical spending in the United States.<sup>1</sup> Managing the cost of these drugs is critical to making small employer coverage more affordable.

The Employee Benefit Research Institute (EBRI) observed the importance of managing clinician-administered drug costs in October 2021: *"[A]nnual per-patient spending was higher in hospital outpatient departments than in physician offices for all but two of the 72 physician-administered outpatient drugs. ... Ultimately, employers and workers bear the brunt of cost differences when hospital outpatient departments perform services that can be provided in less costly physician offices..."*<sup>2</sup>

Health insurance costs are a top concern for small employers. In fact, the cost of health insurance was the number one small business problem in NFIB's most recent edition of *Small Business Problems & Priorities* – as it was in every edition for the previous 29 years.

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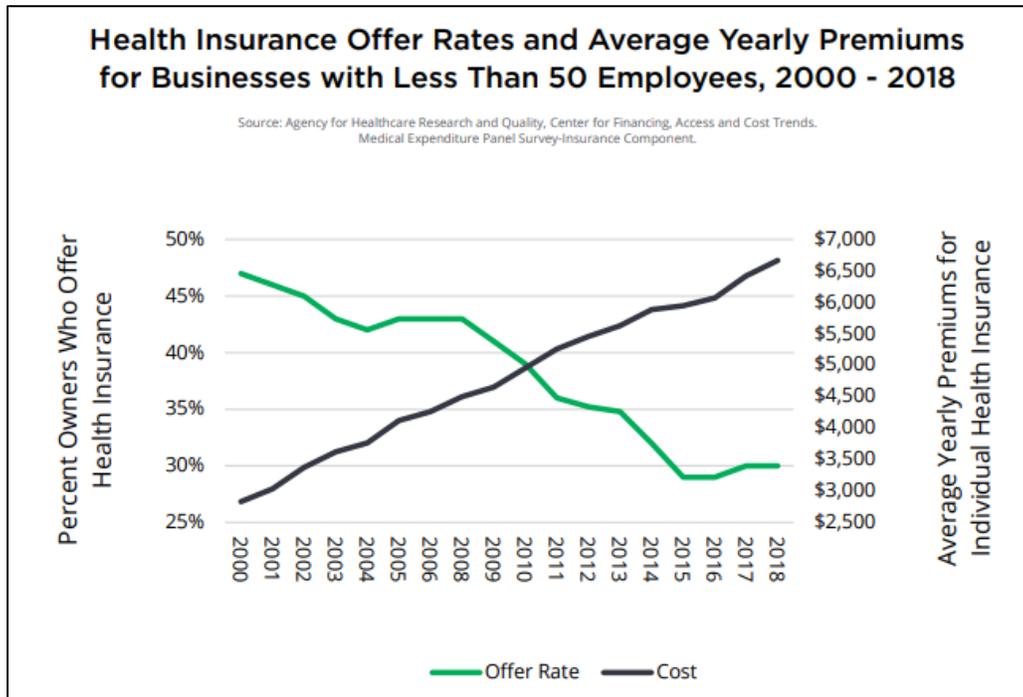
<sup>1</sup> Feldman WB, Rome BN, Brown BL, Kesselheim AS. Payer-Specific Negotiated Prices for Prescription Drugs at Top-Performing US Hospitals. *JAMA Intern Med.* 2022;182(1):83–86. doi:10.1001/jamainternmed.2021.6445

<sup>2</sup> "Spending Differences for Physician-Administered Outpatient Drugs by Site of Treatment Across Metropolitan Statistical Areas and States," EBRI *Fast Facts*, 10/21/2021.

According to NFIB's report:

*Health insurance costs for small firms have risen 43 percent in the last decade... Rising health insurance costs have proved unaffordable for many small business owners resulting in some owners terminating their employer-sponsored health insurance program, others delaying the benefit... and priced out other firms from ever offering the benefit.*

This period of decline in small businesses' ability to offer competitive (or any) health benefits coincides with a steep rise in health insurance costs as evidenced by the chart below:



Data from the Minnesota Department of Health (MDH) shows the same trend. From 2010 to 2019, the share of Minnesotans insured through small groups declined from 11% to 8%.<sup>3</sup> From 2014 to 2020, small group premiums increased by a total of over 41% on average.

Respectfully, we urge you to shield small employers who are already struggling to maintain employee health coverage from higher costs under this proposal.

Sincerely,

John L. Reynolds  
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National Federation of Independent Business  
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<sup>3</sup> MDH Health Economics Program, Minnesota Health Care Markets Chartbook Summaries," <https://www.health.state.mn.us/data/economics/chartbook/summaries>, updated 10/3/2022.