



April 6, 2021

Dear Representative Stephenson:

On behalf of the Minnesota Chamber of Commerce and the 6,300 employers and more than 500,000 employees we represent, thank you for the opportunity to provide feedback on HF 1031, the Commerce Omnibus Finance bill, as amended by the DE9.

Article 2: Prescription Drug Affordability Board

We share the goal of lowering health care costs by curbing the cost of prescription drugs. However, we do not agree with the approach taken in Article 2. In particular, we are concerned with the fact that the bill would allow the newly established Prescription Drug Affordability Commission to unilaterally set the price for certain prescription drugs for all non-exempt public and private purchasers in the state.

The state government has long held an important role in regulating various aspects of the health care market. Over the past two years alone, the Legislature passed, and the Governor signed legislation to increase the state's oversight of Pharmacy Benefit Managers and the role they play in the prescription drug supply chain, as well as legislation to increase transparency around how pharmaceutical manufacturers price their drugs in the marketplace. But Article 2 would go beyond even these new state actions.

In handing an unelected, independent commission the authority to set prices for privately produced products that are sold in a competitive, private market, the state of Minnesota would be setting a very concerning precedent for government intervention that would very likely trigger any number of unintended consequences.

Health Insurance Mandate Review

We are disappointed that the bill does not include provisions from HF 55, Rep. Elkins' bill modifying the current law mandated health benefit proposals evaluation process.

Minnesota requires coverage of roughly 60 benefits as part of fully-insured individual and group health insurance products sold in the state. By some estimates, Minnesota ranks in the top five states with the most mandates. All of these coverage mandates were passed by the Legislature to help Minnesotans access coverage for certain health care procedures or treatments. They all help someone. But it is also true that they all come with a cost. Research has indicated that:

- the average mandate increases premiums between 0.44-1.11% annually
- mandates tend to have a larger impact on the premiums of small employers who do not have the advantage of self-insuring, which provides greater flexibility around plan design and benefit offerings

Seventy percent of our members who offer health insurance coverage to their employees purchase coverage in the fully-insured market. It is these small and mid-sized employers and their employees who bear the full cost of Minnesota's extensive coverage mandates.

It is difficult, however, for legislators to weigh concerns about cost against the impact that coverage of a specific treatment or procedure could have on those who seek it. HF 55 would ensure that as new proposals are brought forward that would add to Minnesota's already long list of mandated health benefits, legislators will have access to reliable data and information about the cost/benefit tradeoffs associated with each proposal.

We note that the Senate has included provisions improving the mandate review process in its Commerce Omnibus Finance bill. It is our hope that the Conference Committee process will provide an opportunity for bicameral agreement on these important provisions. Such a move will both inform and improve the process through which future decisions about Minnesota's mandated benefit set are made.

Reinsurance

We are very concerned that the bill does not include any extension of the state's individual market reinsurance program.

Health insurance is an increasingly important benefit, allowing employers to attract and retain talent in the marketplace and to ensure their employees stay healthy and productive at work. The majority of Minnesota Chamber members offer health insurance to their employees. And yet, improving access to affordable health care is among the top issues Chamber members say the Legislature must address. This reflects the reality that employers – especially small employers – are struggling with the high cost of health insurance.

The individual health insurance market provides coverage for many Minnesotans who are self-employed entrepreneurs. But increasingly, the individual market is also becoming an important source of coverage for very small employers and their employees. This is especially true now, given recent action by the federal government permitting employers to help their employees buy their own coverage through defined contribution arrangements using Health Reimbursement Arrangements (HRAs).

To underscore this point, in a survey of our members, **25%** who currently offer coverage reported they would begin to consider this type of defined contribution approach if continually rising health care costs challenge their ability to maintain the coverage they provide today. Similarly, **20%** of those who are not currently offering any kind of coverage to their employees indicated they are looking at these types of defined contribution arrangements to help their employees buy their own coverage. Such emerging trends provide even more reason to maintain a healthy and stable individual health insurance market in Minnesota.

Reinsurance has done just that – brought stability to the individual market. Rates are about 20% lower than they would otherwise be without reinsurance. And, as has been noted in testimony from the Department of Commerce, we know that *rates would increase by 25% or more in 2022* if the program is not extended.

It is also important to note that the reinsurance program can be extended for the fifth year of federal authorization without any additional state resources. Between the balance of funds currently in the reinsurance account and the amount of funding we are likely to receive from the federal government to help fund a fifth year of the program, there should be sufficient resources to cover the costs of the program for a fifth year.

Here, too, we note inclusion of an extension of reinsurance in the Senate's bill. We encourage you and your colleagues to work with the Senate's Conference Committee members to ensure reinsurance is extended as part of the final bill.

Again, thank you for the opportunity to provide feedback on the Commerce Omnibus Finance bill. We look forward to continuing to work with you as the bill continues to move through the legislative process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bentley Graves", with a long horizontal flourish extending to the right.

Bentley Graves
Director, Health Care & Transportation Policy