



Agents' Coalition for Health Care Reform

Premium Security Plan (Reinsurance) Should be Extended

Why do we need an individual market for health insurance?

The individual marketplace is not only where individuals and their families get coverage when they do not have access to employer-sponsored coverage, it is also where entrepreneurs get their coverage when they start a new business. If the individual marketplace collapses, so does new business creation. This market segment is also relied upon by individuals between jobs and early retirees.

Background

For decades before the ACA was passed, Minnesota maintained a high-risk pool (the Minnesota Comprehensive Health Association or MCHA), which helped keep the premiums in the individual market down by compensating it for adverse selection. This same high-risk pool is what guaranteed those with preexisting conditions would always be able to obtain health insurance. The MCHA program was supported by the MCHA Assessment, a tax on all fully-insured policies (individual and group) - a shrinking segment of the marketplace. The MCHA high risk pool was eliminated with the passage of the ACA. In doing so about 27,000 high risk people entered the relatively small individual market and premiums skyrocketed creating a crisis in this market segment.

Solution

In 2017 Minnesota passed the Minnesota Premium Security Plan, a reinsurance plan for the individual marketplace. This plan invested up to \$270 million per year in state and federal funds in 2018 and 2019 to offset the adverse selection that is experienced by this critical market segment. The actual costs have been much lower. These funds performed the same function as the previous MCHA Assessment by helping to offset the high cost of sick Minnesotans now in the individual market. The plan also ensures that Minnesotans with preexisting conditions continue to have multiple affordable choices for health insurance.

Proven Results

According to the Minnesota Department of Commerce, this plan resulted in premiums being 20% lower in [2018](#) than without the plan. Additionally, premiums dropped by up to 27.7% for [2019](#).

- ✓ The Minnesota Premium Security Plan means consumers with pre-existing conditions are not only guaranteed coverage but that they can also select the carrier and the plan of their choice (unlike the old MCHA model, which limited them to the plans offered by MCHA)
- ✓ It is funded with a broad funding source – unlike the old MCHA Assessment which taxed only individuals & small businesses, a market segment which is now less than 20% of privately insured Minnesotans.
- ✓ Due to problems with how the ACA was impacting the individual marketplace, carriers were leaving the individual market. Without this program, it was uncertain if **ANY** carriers would have chosen to continue offering coverage.
- ✓ Reinsurance is pass-through funding to help pay for expensive medical bills. Not a penny of the money goes to insurers until an actual qualifying claim is paid. No funding goes to the insurance carriers bottom line.

Action Needed

This program was funded and authorized for 2018 through 2021. Legislators will need to authorize the program for 2022 and beyond, early in the 2021 legislative session using existing federal funds. The Minnesota Department of Commerce recently indicated that without this program, premiums would rise 25% or more. This would make the market unaffordable for thousands of Minnesotans. Please support this effective program.