Department of Commerce/Milliman Public Option Analysis and Report

Background for Legislators

Why was the public option analysis conducted?
Minnesota is striving to create an ambitious public option that builds on the success of MinnesotaCare. The actuarial and budget analysis provided information needed to pass a MinnesotaCare Public Option this year.

What problem does the MinnesotaCare Public Option aim to solve?
Tens of thousands of Minnesotans are enrolled in health insurance plans on the individual market that are too expensive to use, with high-deductibles, premiums, and cost-sharing. Individuals, the state, and federal government pay significant resources to get people into health insurance plans that they cannot afford to use. There is strong public demand for an affordable, trusted, public health insurance option that builds on MinnesotaCare.

What is the process for determining details like premiums and reimbursement rates?
With this new data, lawmakers and advocates are working on what premium costs and reimbursement rates would be. We need to find the right rates that sustain providers including primary care providers, rural hospitals, and others and ensure people have access to the care they need, at a cost that is affordable.

Will this cover the remaining uninsured?
The ACA's Medicaid expansion and private insurance reforms drastically reduced Minnesota's uninsured population. This analysis shows that the public option would help reach the remaining 4% uninsured, but no single policy short of universal coverage will completely eliminate uninsurance. Meanwhile, a large number of insured Minnesotans continue to defer care, face medical debt, and restrict their employment choices based on insurance coverage. We need a public option that gives more Minnesotans an affordable option, helping both the uninsured and underinsured, that can be built on.

How will this impact the individual market?
The Milliman report makes clear that a public option will create a valuable and attractive option for people in the individual market, and many who have opted out. It will ensure Minnesotans have a choice of Platinum coverage. The report also offers insight into how different design options will have differing impacts on those who chose other MNsure and off-MNsure plans, and that will help inform the final proposal.

How will this impact MNsure?
The Milliman report does not address funding for MNsure, but the public option bill will. MNsure should be funded to serve its role as a portal for public healthcare programs: Medical Assistance (MA), MinnesotaCare, Qualified Health Plans (QHPs), and the addition of a MinnesotaCare Public Option. We know the importance of a quality enrollment portal and excellent support for people to understand and enroll in coverage.

Is it possible to expand affordable, high-quality public health insurance without harming providers?
The U.S. pays more for healthcare than other countries, and research shows our high costs are driven by high prices.[1] Growing health care prices, not an aging population or more use of services, are the

primary driver of health care cost growth. Between 2000-2022, medical inflation increased by 114.3% compared to 80.3% of other goods and services. [2] This is not sustainable. Even states that are not working on public options are beginning to focus on cost-containment strategies, recognizing that growing prices are the problem.

What evidence is there that hospital charges have little to do with public health insurance?

- Research has shown that what hospitals charge private payers has little to do with making up for lower reimbursement rates for public health insurance programs. [3] Hospitals and other providers charge higher private rates because they can, not to compensate for lower Medicaid rates,[4] and they only lower rates when they must.
- When hospitals charge more, they can afford to be less cost-efficient, spending more on administration or new buildings for high-cost services, driving up their costs and widening the so-called "public payer shortfall."
- An argument for Medicaid-expansion was that reducing massive uncompensated care would allow hospitals to lower costs for private payers who had been "covering the cost" of uncompensated care. However, even when losses from uncompensated care were slashed, hospitals continued to charge more. [5]

Why didn't the report model remove HMOs from MinnesotaCare?

The public option bills heard during the past several sessions would have opened MinnesotaCare to more people through a public option, while simultaneously requesting a delivery reform analysis that would have considered ending the current practice of contracting HMOs to deliver MinnesotaCare. A similar proposal passed in the Health Omnibus last year, and that report is due to the legislature in 2026. The public option study that passed last year, and that resulted in the Milliman report, directed Commerce to look at a buy-in to MinnesotaCare, which currently is contracted out by DHS to HMOs.

Why move forward now? Does this require more study?

Minnesotans have been demanding a MinnesotaCare Public Option since at least 2016. Since that time, the state has authorized $1.6 billion in so-called "reinsurance" to bring down the cost of premiums on the individual market—this has been a band-aid and bridge to nowhere that has propped up health insurance companies while doing nothing to address high-deductibles, cost-sharing, and the fact that Minnesotans are forced into health plans that are too expensive to use. Stakeholders, agencies, and legislators are working with CMS now to finalize a proposal that meets Minnesotans' urgent needs for healthcare they can afford to use. Now is the time to pass a bold and nation-leading plan, building on the success and strengths of MinnesotaCare.

---

[1] HCCI's Healthcare Cost and Utilization Report, February 2019.
[2] How does medical inflation compare to inflation in the rest of the economy? Health System Tracker Report, July 2023.
[3] The Cost Shift Myth, Colorado Health Institute, February 2019.
[4] Policies to Hold Nonprofit Hospitals Accountable, Center for American Progress, October 2022.
[5] The Cost Shift Myth.