



COURT INTERNATIONAL BUILDING
 2550 UNIVERSITY AVENUE WEST
 SUITE 255 SOUTH
 ST. PAUL, MINNESOTA 55114
 651-645-0099 FAX 651-645-0098

Feb. 26, 2019

Eileen Smith
612-840-4554
smith@mnhealthplans.org

***As other states follow Minnesota's lead to stabilize health insurance,
 new governor rejects program in his budget request***

St. Paul, Minn.—It's not often there is good news about the expense of medical care and health insurance premiums. But the Minnesota Council of Health Plans recently received good news. Expenses for the state's reinsurance program that helps pay high medical bills for people who buy their own insurance are about half the amount expected. That means there is enough money left over to extend the help into 2020 and 2021.

Then the bad news arrived. Minnesota's new Gov. Tim Walz didn't extend the program in his proposed state budget for the next biennium. Instead, he recommended creating a new program to subsidize an individual's premium.

Jim Schowalter, president of the Minnesota Council of Health Plans, said policymakers will need to decide what's next. Reinsurance, also called the Minnesota Premium Security Program, helped reduce premiums paid each month by people who buy their own insurance by [20 percent on average](#) in 2018 and again in 2019. Without legislative action to extend the program, premiums will go up this fall, according to actuaries from Oliver Wyman.

Since the launch of Minnesota's program, Maryland, New Jersey, Oregon, Wisconsin and other states have closely watched Minnesota's program as officials there work to help people who buy their own insurance.

Program got results at half the expected cost

Numbers recently presented to [the group that's overseeing the program](#) showed just 50 percent of the \$271 million set aside will be needed for 2018 medical bills. Insurance experts at Wakely Consulting Group said \$120.5 million in medical bills have come in through as of December 31, 2018. The company projects another \$18.4 million will be needed for care that wasn't billed by the end of the year, bringing the total expense for last year to \$138.9 million.

In all, about 155,000 people across the state bought health insurance on their own in 2018. About 2 percent of these Minnesotans had medical bills between \$50,000 and \$250,000, the threshold set for reinsurance help. In 2015, a Wakely report on Minnesotans who bought their own health insurance also reported 2 percent of the people with medical bills above \$50,000.

Minnesota's Reinsurance Program		
Person's Medical Bills		Who Pays
↑ ↓	\$0	Premiums, and the individual's co-insurance, pay 100 percent of the bill
↑ ↓	\$50,000 \$50,001 \$250,000	Reinsurance pays 80 percent of the bill; premiums pay 20 percent
↓	Above \$250,001	Premiums pay 100 percent of the bill

High medical bills, no common expensive illness or injury

The report from Wakely showed people do not need to have serious medical conditions to have expensive medical bills. Of the Minnesotans with medical bills that met the threshold for reinsurance help, 7 percent didn't have any of the expected injuries or illness that typically signal expensive medical bills.

"This is why reinsurance works. It's focused on a person's medical bill, not the illness or injury codes," Schowalter said. "

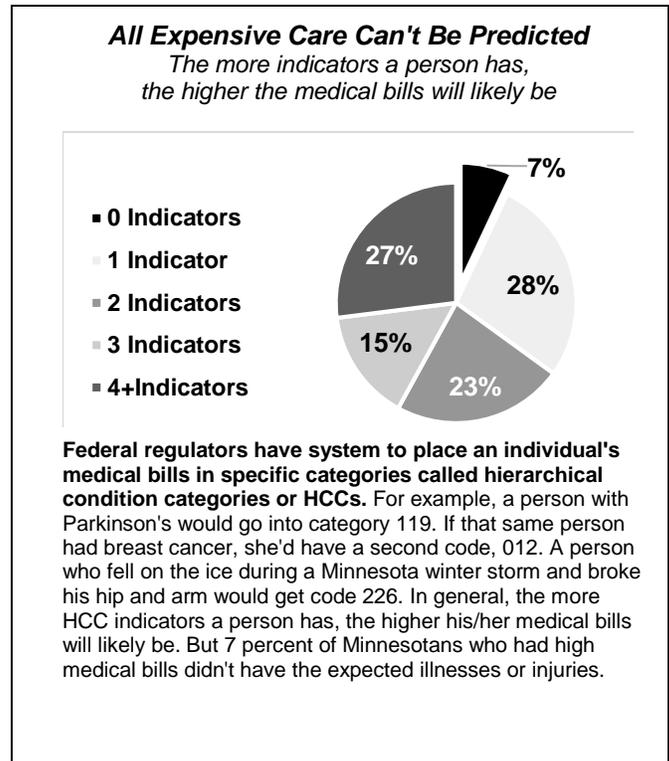
At right, you'll see 28 percent of people had just one indicator, while 27 percent had four or more indicators that the person's care would be expensive care.

Medical bills for most people totaled between \$58,498 to \$119,795. More than 200 people had bills above the \$250,000, the upper limit for state reinsurance.

Governor's budget creates alternative to reinsurance, legislators must make a choice as deadline for 2020 rate requests nears

While Minnesota's reinsurance program is a model that has successfully stabilized premiums and kept insurers competitive, there are people, like the state's new administration, who have doubts whether reinsurance should continue for another year.

"There's no doubt reinsurance is a success," said Schowalter. "Here's why it must continue."



- **No new money is needed.** The legislature appropriated \$271 million in state funds per year to pay for reinsurance 2018 and 2019. Knowing that just \$138.9 million was spent in 2018 should relieve policymakers' concerns about how to fund the help in 2020.
- **It brings federal money to Minnesota.** The federal government contributed \$131 million to the program for 2018 and an estimated \$84 million in 2019. That means actual state expenses for the 2018 medical bills were about \$7.9 million, not the \$271 million budgeted.
- **It already has federal approval.** Federal regulators approved the plan through 2022—but state law only allows the program through this year.
- **2020 federal changes already push premiums up.** The combination of the return of federal health insurance tax and no requirement for people to have insurance already means premiums will likely go up. An actuary from Oliver Wyman told Minnesota legislators that the federal changes, linked with the loss of state reinsurance, would likely increase premiums by around 50 percent.

"Premiums for 2020 are being calculated now," Schowalter said. "The people at health insurance companies who put together rates need to know whether the state will help pay part of expensive medical bills or if people who buy their own insurance have to foot the entire bill."