



Minnesota Premium Security Plan

Julia Dreier, Deputy Commissioner of Insurance

Overview of Minnesota's Individual Market

- Roughly 187,000 Minnesotans get healthcare coverage through the individual market
- Enrollees include:
 - People without access to health insurance through their employer or a program like MinnesotaCare, Medicare, or Medical Assistance
 - Independent contractors
 - Employees working for small businesses not offering health insurance
 - Early retirees

Background on Individual Market

- **2016-2017**
 - Federal programs providing individual market stability expired
 - MN insurance companies reacted with rate increases, enrollment cap requests, narrower provider networks and a market exit
 - From 2014 to 2017, the gross average premium per enrollee per month rose from \$206 to \$526
 - Market enrollment dropped significantly
 - Peak enrollment in 2015 with over 300,000 enrollees
 - Approximately 260,000 in 2016 and 160,000 in 2017

Minnesota Premium Security Plan

- In April 2017, Minnesota passed a new law aimed at helping Minnesotans who buy their own insurance—a state based reinsurance program called the Minnesota Premium Security Plan
- Designed to alleviate the impact of high-claims costs
- Translates to lower premium rates for consumers from what they would be without the program
- Requires filing for approval of a 1332 waiver from the federal government

The federal government gives states the opportunity to innovate

- Section 1332 of the Affordable Care Act (ACA) permits states to apply for a State Innovation Waiver
- A successful waiver must ensure that the state's innovation results in:
 1. Health care at least as comprehensive as prior to the waiver
 2. Health care at least as affordable as prior to the waiver
 3. Coverage provided to at least a comparable number of residents as expected without the waiver
 4. No increase in the federal deficit

Federal money funds the state reinsurance program

- Because reinsurance lowers premiums, it also lowers to the federal tax credits (APTC) Minnesotans use to make their insurance more affordable
 - Higher premiums = higher federal tax credits
 - Lower premiums = lower federal tax credits
- Minnesota's waiver seeks to retain the foregone federal tax credits and use those federal funds to support the Minnesota Premium Security Plan

Impact of the 1332 Waiver

- Minnesota's 1332 waiver—or reinsurance program—has accomplished the following:
 1. Maximized federal funding to reduce individual market premiums
 2. Stabilized the individual market
 - Retained carriers in the market
 - One small insurer exited in 2024 (merger)
 - One carrier has entered the market
 - All counties have at least two insurers, with most having three to four
 - Every county has at least 30 plan options for people to choose from
 3. Reduced premiums for people who buy insurance on their own
 - 2018-2025 rates were approximately 15-20% lower than what they would have been absent the program

Reinsurance administration and process

- The Minnesota Comprehensive Health Association (MCHA) oversees the reinsurance program
 - MCHA has auditing, accounting, and payment procedures to make reinsurance payments to carriers
- Financial cost of high-cost claims are evaluated throughout the year
- Quarterly and annual reports are due to the federal government through the duration of the waiver

Other state reinsurance programs

- Minnesota was the second state in the country to establish a state reinsurance program
- 18 states have established reinsurance programs, though the programs vary in size, structure, and funding source
 - Conditions-based vs claims cost-based
 - Payments can vary by attachment points, coinsurance rates, caps, damping factors, and by area of the state
 - State funding source—11 states' funding sources include an assessment on premiums or insurance carriers
 - Premium reduction varies depending on structure of program

What's (not) Happening in 2026

- Enhanced federal subsidies go away
 - ARPA increased APTC amounts and expanded eligibility
 - Limited premiums to 8.5% of annual income
- Reinsurance funding expires
 - Authority to run the program is in place until 2027
 - Estimated 25% premium increase for individual market plans, on top of normal rate increases
- **Concerns**
 - Premium increases → people drop coverage or enroll in a plan with higher cost sharing
 - Lower individual market enrollment → makes future reform efforts more difficult
 - Market instability → lose carriers in parts or all of the market

Reinsurance Estimates

(in 000s)	PY2026/FY2027	PY2027/FY2028	PY2028/FY2029
Projected reinsurance payments	\$345,000	\$385,000	\$430,000
Interest income net of MCHA costs	\$9,000	\$9,000	\$9,000
Projected pass-thru funding	\$100,000	\$100,000	\$100,000
Approximate state cost	\$236,000	\$276,000	\$321,000

Governor's Budget Proposal

- Fund the state portion of the Minnesota Premium Security Plan through an assessment on MCHA members.
 - Allows state to capitalize on existing benefits of the reinsurance program
 - Provides a stable, and long-term funding source
 - Mirrors other successful state reinsurance programs
 - Can be run along-side other programs (e.g. state premium subsidy or cost-sharing reduction program)
 - Holds BHP funding harmless
- Estimated reinsurance impact with an assessment = 18%
 - Based on accident & health premiums reported on annual statements
 - MCHA membership consists of all insurers; self-insurers; fraternal; joint self-insurance plans regulated under chapter 62H; the Minnesota employees insurance program established in section 43A.317 , effective July 1, 1993; health maintenance organizations; and community integrated service networks licensed or authorized to do business in this state