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House File 49 (WIklund)

Dear Chair Klein and Senate Commerce Committee Members,

The National Federation of Independent Business (NFIB) represents over 10,000 small businesses in every corner of our state. We advocate for the best interests of Main Street.

NFIB appreciates the opportunity to comment on the creation of a public option and requirement for a single payer study in Senate File 49. We agree there is a choice and affordability problem in health insurance and health care in our state, but these proposals will now solve the problem.

Public Option (Article 3). A federally authorized public option will make Minnesota's healthcare system even more dependent on the whims of politicians and regulators in Washington D.C., shift costs onto remaining commercial market small group and individual plans, and will likely encounter the same obstacles as public options recently launched in other states.

***Higher Commercial Plan Costs*.** Health insurance costs are a top concern for small employers. In fact, the cost of health insurance was the number one small business problem in NFIB's most recent edition of *Small Business Problems & Priorities* – as it's been for the previous 29 years.

A public option is likely to shift costs onto the already overburdened small group and individual markets due to government-level healthcare provider reimbursements.

More enrollees in government-level reimbursement plans means higher prices for remaining commercial employer-based plans when Minnesota's small businesses are already struggling to maintain this important employee benefit.

According to the Minnesota Department of Health (MDH), the share of Minnesotans insured through small groups declined from 11% to 8% between 2010 and 2019. Meanwhile, from 2014 to 2020, small group premiums increased by a total of over 41% on average.[1]

In addition, lower reimbursement rates may make it even harder to access care in rural areas, where there is already a "severe shortage of all provider types," according to the Minnesota Department of Health.[2]

[1] MDH Health Economics Program, Minnesota Health Care Markets Chartbook Summaries," https://www.health.state.mn.us/data/economics/chartbook/summaries, updated 10/3/2022.
[2] MDH Division of Health Policy, "Rural Health Care in Minnesota: Data Highlights," 11/18/2021, https://www.health.state.mn.us/facilities/ruralhealth/docs/ruralhealthcb2021.pdf.

***Other State Public Options*.** States that have recently enacted public options have struggled to attract enrollees for much the same reason that commercial plans also struggle: healthcare is expensive.[3] Finding a balance between affordable premiums, benefit sets, and attractive provider reimbursement rates is a challenging proposition.

Washington's public option has struggled to attract enrollees since its inception in 2021, reaching just 3% of the market in 2022.[4] Only after providing $50 million in restricted subsidies did Washington's public option gain traction – 11% of the individual market in 2023.[5]

Colorado's public option attracted just 13% of the state's individual market in 2023.[6]

Single Payer Study (Article 4). Recent experience in other states demonstrates the impracticality of a state-run single payer plan.

In 2011, Vermont enacted legislation to create a single payer system. Despite an already high insured rate, the state would have had to double its annual budget to fund the system.[7] Assumptions about tax increases, federal funding, potential costs, benefit levels, and administrative savings varied widely, leading Vermont to abandon the plan in 2014.

Former Governor Peter Shumlin explained: *"These are simply not tax rates that I can responsibly support or urge the Legislature to pass… In my judgment, the potential economic disruption and risks would be too great to small businesses, working families and the state's economy."*[8]

In 2017, California pegged the cost of a state-run single payer plan at $400 billion per year. The staggering price tag led then-Gov. Jerry Brown to dismiss it entirely, saying: *"This is called 'the unknown by means of the more unknown.' In other words, you take a problem, and say 'I am going to solve it by something that's … a bigger problem,' which makes no sense."*[9]

We look forward to working with the committee on market reforms that give small employers more tools to manage healthcare costs and make it easier for them to provide a sustainable array of employer-sponsored coverage options.

Sincerely,

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[3] Messerly, Megan, "These states tried an Obamacare public option. It hasn't worked as planned," Politico.com, 12/27/2022.
[4] Hawryluk, Markian, "The 1st public option health plan in the U.S. struggles to gain traction," NPR.org, 2/21/2022.
[5] Washington Health Benefit Exchange, "2023 Enrollment Preview Report," February 2023
[6] Frank, John, "Colorado's public-option-styled insurance plan draws meager interest," Axios.com, 1/23/2023.
[7] Fitzgerald, Jay, "Costs derail Vermont's dream of single payer health plan," Boston Globe, 1/25/2015
[8] Wheaton, Sarah, "Vermont bails on single-payer health care," Politico.com, 12/17/2014
[9] Cadelago, Christopher, "Jerry Brown sounds skeptical note on single-payer health care," Sacramento Bee, 3/23/2017