

Historical Information and Research on Funding for the State Insurance Exchange

In November 2011, Governor Mark Dayton signed Executive Order 11-30 to create a Minnesota health insurance exchange/marketplace. An advisory task force and technical work groups were established with broad representation to develop recommendations for how it should work. [Ten work groups](#) were established to advise on a range of issues, including financing.

The Financing Work Group began meeting in late 2011 with the goal of providing technical assistance and information on options related to the on-going financing of a Minnesota Health Insurance Exchange. As part of the work of that group, there was a presentation by the Commerce Department on different financing options for a state-based exchange. That presentation can be [viewed at this link](#). Slides 4-19 are the most relevant. The [Final Recommendations of the Minnesota Health Insurance Exchange Advisory Task Force](#) include the recommendations of the Financing Work Group on page 7.

During the 2013 legislative session, a law was enacted that created MNsure and detailed how it would be financed. That language is found at [62V.05, subd. 2](#). This language states that for the first year, MNsure will collect up to 1.5% of total premiums for individual plans, small group plans and dental plans sold on MNsure. Starting in 2015, that amount increased to 3.5% of total premiums for those plans.

Federal law and rules require that when a qualified health plan is sold on the exchange and off the exchange, the rates must be identical. As a result, if a carrier does offer the same product on and off the exchange, the 3.5% user fee gets spread across the rates on and off. If a carrier or corporation does not offer products on MNsure, the user fee does not need to be incorporated into the rates of the products sold off of the exchange.

When MNsure was getting established, there was a presentation to the board, which includes two slides that summarize how MNsure was approaching financing at that start. See [pages 4-6 of this PDF](#).

The Health Care Financing Task Force met in late 2015/early 2016. One recommendation that came from that group was that the MNsure user fee should be expanded to on- and off-marketplace products, provided that the Legislature statutorily reduces the user fee/premium withhold level. [The Final Report of the HCFTF](#) provides more detail on that recommendation on pages 28.

The budget information expected to be presented at the March MNsure Board of Directors meeting should help inform the question the HIAC has been asked to address.