STATE OF MINNESOTA
Office of Governor Mark Dayton
130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

January 6, 2017

The Honorable Kevin McCarthy
Majority Leader
United States House of Representatives
H-107, U.S. Capitol Building
Washington, D.C. 20515

Dear Majority Leader McCarthy:

Thank you for the opportunity to share my deep concerns about the proposed repeal of the Affordable Care Act (ACA). I am proud that Minnesota is consistently ranked as one of the healthiest states in the nation, and the ACA has enabled us to build on the state's tradition of health care coverage and quality. We have taken full advantage of the flexibility and federal funding available to states under the law and, as a result, more Minnesotans have insurance than ever before. It is the moral responsibility of Congress to preserve the progress Minnesota has made under the ACA and to invest in improvements to the existing law. Any federal proposal that reduces patient protections, increases patient costs, or shifts current or future costs to states is unacceptable.

Repealing the ACA without a clear replacement plan would have a devastating impact on 380,000 Minnesotans who have gained health coverage and millions more in our state who have better health care as a result of the law. Repealing the law would also create serious uncertainty in the private health insurance market, making it likely that health insurers may stop selling individual health insurance in Minnesota.

Furthermore, the health of our state budget and local economy is dependent on ACA funding. This includes $2 billion in annual federal support for low income Minnesotans and those with disabilities who are insured through Medicaid and MinnesotaCare, Minnesota's Basic Health Plan. In 2017 alone, we also expect Minnesotans to receive more than $250 million in federal tax credits to help them purchase individual health insurance. These federal dollars support jobs across the state while improving the lives of Minnesotans who have health insurance as a result of these programs.

While we must do more to reduce health care costs, the progress Minnesota has made under the ACA is undeniable. As a result of the flexibility and resources available to states, Minnesotans have benefited from the following improvements to health care in our state:

- **Lowest uninsurance rate in the state's history.** Under the ACA, the rate of uninsurance has been cut in half, to 4 percent. 300,000 more Minnesotans have gained coverage through Medicaid and MinnesotaCare, and 80,000 more are covered in the individual market. Minnesotans with disabilities, serious mental illness, or substance abuse disorders now can receive care before becoming permanently disabled and impoverished.

Annual and lifetime limits are history and those with pre-existing health conditions like cancer and diabetes can get insurance without being penalized.

- **Less uncompensated care:** With more Minnesotans insured than ever before, hospital uncompensated care has decreased 16.7 percent in the first two years of the full implementation of the ACA.
- **Lower costs and better care for Medicaid enrollees:** Our Medicaid program has led the country in providing high quality care at a lower cost for some of the state's most vulnerable residents. Under Minnesota's innovative model, we have improved care for 375,000 Minnesotans while saving more than $156 million since 2013.
- **Support for consumers to find insurance:** Minnesota's state based exchange provides consumers with a simple tool to find health insurance options and choose the best option based on their income and needs. This includes a vast network of free in-person assistance to consumers as they make health insurance decisions.
- **Better public health:** Minnesota receives more than $24 million from the Prevention and Public Health Fund for core public health activities like infectious disease surveillance, home visiting for high-risk families, diabetes prevention, and immunizations for children.
- **Less health care fraud:** The ACA has provided federal support for Minnesota to improve our fight against waste, fraud, and abuse in public health care programs.

In light of the importance of the ACA to the health of Minnesotans and our economy, below is my feedback regarding how Congress should proceed to improve the current law:

- **Provide comprehensive reinsurance for all health insurance policies:** Moving forward, Congress should establish a permanent, comprehensive reinsurance program to guard against catastrophic health insurance claims. This program would limit liability for insurers and employers, thereby reducing premiums for employers, workers, and Americans who purchase individual health insurance coverage.

  This spring, Minnesota's health insurers will decide whether they will participate in the individual market and, in April, they will begin filing their 2018 plans and rates with the state. Therefore, I strongly recommend Congress take action on reinsurance no later than May 2017.

- **Allow state innovation while maintaining patient protections and Medicaid funding:** Cuts to Medicaid or MinnesotaCare under the guise of state flexibility would be devastating and simply shift costs to state and local governments. Specifically, our state budget would be upended if Congress repeals the Basic Health Plan or implements Medicaid block grants or per capita spending caps that reduce federal funding for states. These funding cuts would force the state to choose between cutting payments to health care providers or reducing critical services for our state's most vulnerable residents, including health care for low-income Minnesotans and services for seniors and people with disabilities. I have attached a brief from Minnesota's Medicaid program that provides more details regarding the impact of an ACA repeal on our state public health care programs.

  Furthermore, the existing Medicaid program provides states with the necessary flexibility to innovate and Minnesota has taken full advantage of these opportunities.

We have partnered with the Centers for Medicare & Medicaid Services to create new models that provide coverage at a lower cost than the private market and without cutting benefits or access to health care for low-income individuals and families. Section 1332 of the ACA also provides states more opportunities to use existing federal funds to innovate and cover residents more efficiently. I recommend that Congress preserve Section 1332 waivers, and provide opportunities to expedite and streamline the waiver application process.

- **Hold pharmaceutical companies accountable for rising drug prices:** One of the biggest pressures on our health care system locally and nationally is the exponentially increasing cost of pharmaceuticals. We urgently need federal reforms to leverage the buying power of Medicare and Medicaid so that patients and states receive fair prices from pharmaceutical companies. In order to solve these problems, Congress should act to improve the negotiating power of Medicare and state Medicaid agencies, including allowing states to use cost-effectiveness as a factor in determining coverage.

Thank you for considering the future of health care in Minnesota and how the ACA has become integral to our economy and the health of our state. I stand ready with my commissioners and staff to help you preserve the progress we have made under the ACA and consider improvements to the law.

Sincerely,

Mark Dayton
Governor

Attachment

Minnesota Department of **Human Services**

BRIEFING DOCUMENT

Repealing the Affordable Care Act:
Impacts to Minnesota's Public Health Care Programs

Dec. 12, 2016

Background and Purpose

Minnesota has a long tradition of providing affordable health care coverage for as many people as possible while innovating and controlling costs. The Affordable Care Act (ACA) helped us build on that legacy by covering **300,000 more people** and driving our uninsured rate to a **historic low** while bringing in about **$2 billion a year** in new federal funding. The ACA also helped us begin to replace outdated technology systems and improve the ways we deliver care to Minnesotans.

These changes helped us cover more people for less money. Our cost for the largest group of public health care program enrollees[1] went down 15 percent from 2013 to 2016.

This briefing document outlines the biggest impacts to Minnesota *if the entire ACA were repealed.* It is not a full policy or fiscal analysis and does not look at the impact of repealing some but not all of the ACA. The fiscal estimates used here do not account for potential changes to other elements of the ACA, such as the individual mandate to purchase health insurance, presumptive Medicaid eligibility in hospitals, 12-month renewals and other provisions. We cannot estimate these impacts until we know more specifics regarding the parts of the ACA that may be repealed and the policies that would replace them.

[1] Per Member Per Month (PMPM) cost for people enrolled under the Modified Adjusted Gross Income, or MAGI, standard (non-disabled adults under 65 and children) was $409 in 2016, compared with $472 in 2013.

Basic Assumptions

Repealing the ACA would roll back Minnesota's efforts to provide comprehensive coverage for low-income people. We would lose billions of dollars in federal funding. Health care coverage for hundreds of thousands of low-income individuals and families would be at risk. Our efforts to save taxpayer dollars by improving accountability and revamping the delivery of health care would stall.

Under the repeal of the ACA, Minnesota risks losing:

1. **Health care coverage for nearly 300,000 people** enrolled in Medical Assistance (Minnesota's Medicaid program) and MinnesotaCare. Losing this coverage would drive up the cost of uncompensated care for providers and could **destabilize Minnesota's safety net system.**
2. **More than $2 billion a year in federal funding** for Medical Assistance and MinnesotaCare. Maintaining this level of coverage for these populations would have to be funded **solely with state dollars.**
3. **Federal support for efforts to reduce waste, fraud and abuse in public programs.** We improved accountability efforts under the ACA, enhancing provider screening and enrollment requirements.
4. **Progress on nation-leading approaches** to health care that have **improved outcomes** and **saved millions for state and federal taxpayers.**

Impact

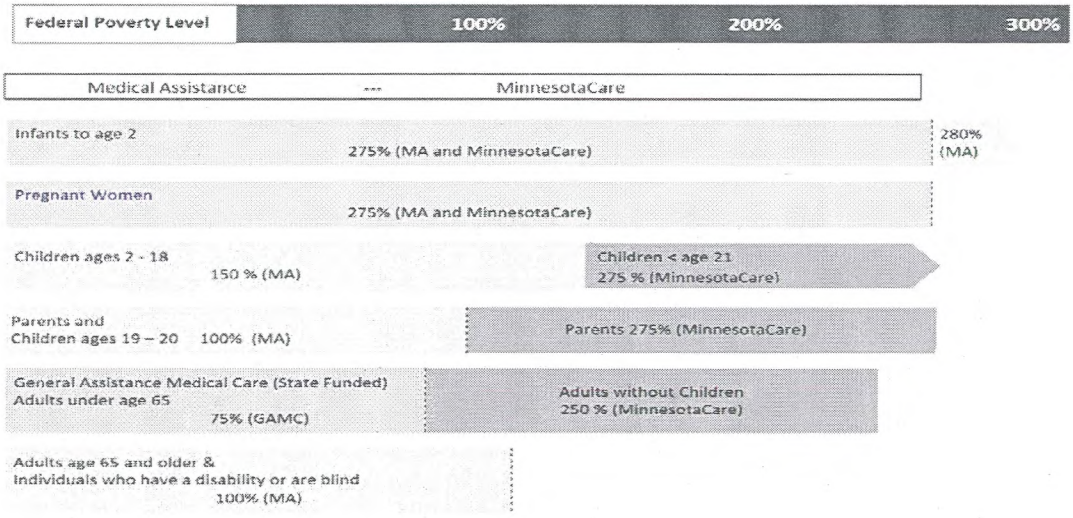
ELIMINATING SUPPORT FOR EXPANDED HEALTH CARE COVERAGE

Historically Minnesota has provided comprehensive coverage for low-income residents. The ACA gave us the authority and funding to cover 300,000 more people.

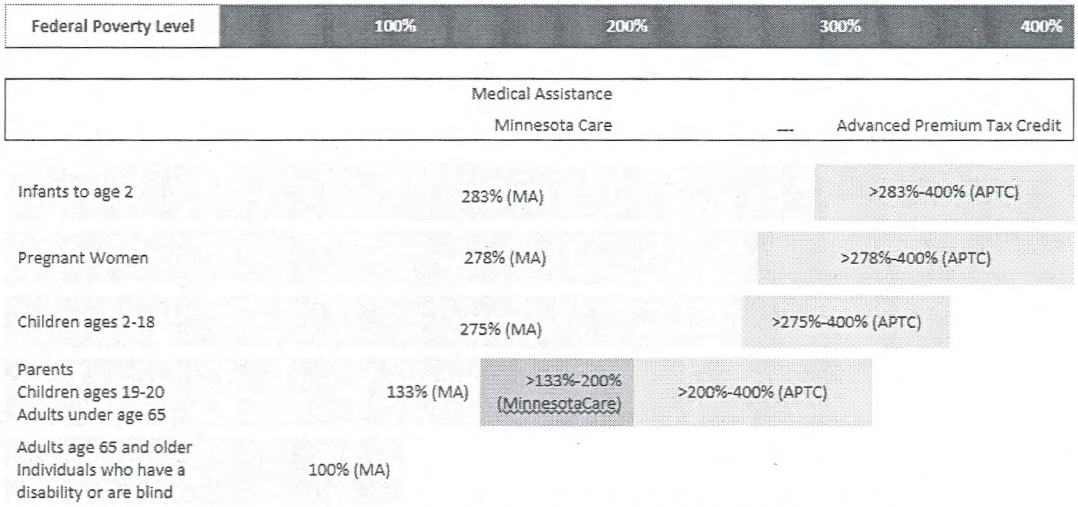
Unfortunately, repealing the ACA **would *not* bring us back to what we had before the ACA.** Instead, we would lose the authority and funding for people covered by both the Medicaid expansion and

MinnesotaCare.[2] The individual mandate encouraged more people to seek and enroll in health care coverage. Below is a snapshot of Minnesota's coverage programs before and after the ACA.[3]

Pre-ACA (2010)



Post-ACA (2014)



Does not reflect MinnesotaCare coverage from 0-to-200% FPL for lawful immigrants who are ineligible for Medicaid.

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[2] The ACA's Medicaid expansion created eligibility for adults without children with incomes up to 200 percent of the federal poverty guidelines. MinnesotaCare, using the Basic Health Plan option in the ACA, is available to adults without children and parents with incomes between 138 percent and 200 percent of poverty.

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The ACA also brought important changes for other groups of Minnesotans:

- **People with disabilities, mental illnesses and/or substance use disorders:** Before the ACA, many people with disabilities, mental illnesses and substance use disorders had to become permanently disabled and become impoverished before they could get coverage. Under the ACA, adults without children qualify for Medicaid based on their income, without having to meet federal disability criteria.

- **People using family planning benefits:** The ACA provides states with the option to cover family planning services for people who otherwise would not qualify for Medicaid. Under state law, Minnesota is seeking federal approval of a state option that would take effect on Jan. 1, 2017. Our current authority for Minnesota's family planning program expires on Dec. 31, 2016.

- **Foster care children:** An ACA provision that requires Minnesota to cover former foster care children automatically in Medicaid up to age 26 would be eliminated.

REMOVING CONSUMER PROTECTIONS AND INCREASING PROGRAM COMPLEXITY

The ACA gave consumers new protections while simplifying and streamlining the application and enrollment processes for public programs. A repeal would remove these provisions.

"No wrong door" requirement: Under the ACA, states are required to simplify and streamline enrollment for consumers. No matter how someone applies – whether at a county or tribal office, on a paper application, online or by phone – they can find out what programs and benefits they are eligible for.

This makes it easier for families and individuals to enroll in health care coverage without having to submit separate applications and navigate multiple systems. This is especially important for families where different members of the family qualify for different programs. Repealing this requirement would mean that states could go back to separate and more complex systems.

Simplified income methodology: Repealing the ACA would mean that Minnesota would not be required to use a simpler standard to determine eligibility for public programs.[4] Minnesota would likely have to

[4] This standard is called Modified Adjusted Gross Income (MAGI).

go back to standards used before the ACA, which are much more complicated for consumers to navigate and for the state and counties to administer. [5]

Comprehensive benefit set: The ACA requires a minimum set of essential benefits for consumers, including no-cost preventive services and mandatory coverage for mental health and substance use disorder treatment. ACA repeal would remove these protections for populations not covered under standard Medicaid. If Minnesota chooses to rebuild programs cut by an ACA repeal, the state legislature could eliminate or limit coverage of critical services. MinnesotaCare had a $10,000 cap on inpatient hospital services and a $1,000 copay for hospital benefits. These limits were removed because they were incompatible with the ACA.

Prohibition on asset limits: The ACA introduced simple income limits for public programs and did away with comprehensive and time-consuming reviews of a person's assets. This simpler process would no longer be required with ACA repeal and state legislatures could impose asset limits once again on low-income families.

Barriers for coverage: The ACA protects consumers from enrollment limits and "lockout" periods if they fail to pay premiums. ACA repeal would allow states to bring back these barriers for populations not covered under the standard Medicaid program.

Presumptive Eligibility: The ACA gave hospitals an expanded role in determining eligibility. Under the hospital presumptive eligibility (PE), states must allow hospitals to provide temporary Medicaid coverage to people likely to qualify. Minnesota took advantage of this policy to help low-income people access health care services and enroll in Medicaid.

Maintenance of Effort Requirements: Under the ACA, states cannot limit public health care coverage for children by reducing income limits or adding new restrictions on eligibility without risking loss of federal Medicaid funding.[6] ACA repeal would mean Minnesota children would no longer be protected by this barrier, if the state legislature cut eligibility by lowering the income limit or changed other eligibility standards.

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[5] Pre-ACA Medicaid income standards and net income methods include numerous disregards and deductions, depending on an individual's basis of eligibility.

ELIMINATING FEDERAL FUNDING

Repealing the ACA would significantly cut federal funding for Minnesota's public health care programs, Medical Assistance and MinnesotaCare.

Medicaid Expansion: Minnesota would lose enhanced federal matching funds[6] for adults without children on Medical Assistance, Minnesota's Medicaid program.

- Our initial fiscal estimates show the loss in federal funding for Medicaid would be approximately **$1.7 billion in FY2018 and $1.9 billion in FY2019.**[7]

Before the ACA, there were no federal funds to cover adults without children without a federal waiver. This population was previously covered through the solely state-funded General Assistance Medical Care (GAMC) and MinnesotaCare.[8]

MinnesotaCare: Minnesota would lose federal funding for MinnesotaCare as a Basic Health Plan (BHP) under the ACA. MinnesotaCare covers children ages 19 and 20, adults without children, and parents.[9]

- Initial fiscal estimates show the loss in federal funding for the MinnesotaCare program would be **$393 million in FY2018 and $455 million in FY2019.**[10]

Federal BHP funding and enrollee premiums fund most of the cost of MinnesotaCare. Before the ACA, MinnesotaCare received federal funding for the program under a waiver. It is unclear whether the state could successfully negotiate another waiver in the future.

Other programs: Minnesota would lose enhanced federal matching funds to modernize and streamline eligibility and enrollment systems,[11] support behavioral health homes,[12] and reform its personal care assistance program through Community First Supports and Services.[13] The state potentially could lose a 23 percent enhanced federal match in Children's Health Insurance Program (CHIP) funding under the

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[6] The enhanced federal match for adults without children in Medicaid is currently 100 percent, decreasing to 90 percent by 2020.
[7] These estimates are based on the end-of-session 2016 forecast and do not reflect any changes from the November 2016 forecast.
[8] General Assistance Medical Care (GAMC) covered adults without children up to 75 percent of the federal poverty guidelines. MinnesotaCare covered adults without children up to 200/250 percent of poverty.
[9] MinnesotaCare eligibility is from 134 percent to 200 percent of the federal poverty guidelines.
[10] These estimates are based on the end-of-session 2016 forecast and do not reflect any changes from the November 2016 forecast.
[11] The federal match for the Minnesota Eligibility Technology System (METS/ISDS) is 90 percent, with 10 percent from the state.
[12] The federal match for behavioral health homes is 90 percent, with 10 percent from the state.
[13] The 6 percent enhanced funding for Community First Services and Supports would be eliminated.

ACA. The ACA increased the percentage of federal contribution for drug rebates and mandated a rebate for drugs provided through managed care arrangements. Significant funding could be lost if these expanded rebates are eliminated.

County share: The ACA also prohibits states from imposing new county cost shares for Medicaid services. ACA repeal would remove this prohibition, putting local property owners at risk of paying higher taxes for any new shares added by the state legislature. Also, the loss of Medicaid and MinnesotaCare coverage for adults without children would mean substantially higher costs for counties treating mental illnesses and substance use disorders for this population.[14]

Pressure on the state budget: Before the ACA, Minnesota used state funding to cover adults without children who were not eligible for Medicaid, and placed caps on long-term care services under Medicaid in order to control costs. As a result, whenever the state faced budget pressure, policymakers were forced to choose between cutting long-term services and health care coverage for adults without children. The ACA helped relieve this pressure and allowed Minnesota not only to cover adults without children but also to ensure access to long-term care services.

DHS continues to examine other programs and efforts that may be affected by a repeal of part or all of the ACA.

ROLLING BACK PROGRAM ACCOUNTABILITY STANDARDS

The ACA supported Minnesota's efforts to modernize IT systems and enhance program integrity to reduce waste, abuse and fraud in public programs.

Eligibility and Enrollment Modernization: Minnesota would lose enhanced federal funding to support an improved IT system for eligibility and enrollment in public programs. Progress to improve the Minnesota Eligibility Technology System (METS) for public health care programs would stall. Efforts to incorporate other public assistance programs, such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF) and the Minnesota Family Investment Program (MFIP), into an online application process would likely be halted.

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[14] Counties would face an increased obligation for service to people without coverage and a higher share for services in the Consolidated Chemical Dependency Treatment Fund (CCDTF).

Provider screening and other provisions related to program integrity: Enhanced screening for Medicare, Medicaid and CHIP providers is central to our efforts to improve health outcomes and reduce waste, fraud and abuse in state programs. The screening has resulted in a more qualified and accountable health care workforce. Repeal of the ACA would halt further progress to root out waste, fraud and abuse.

STIFLING COST-SAVING INNOVATIONS

Minnesota's leadership in developing new models of care and payment for health care, made possible by the ACA, led to millions in savings for the state and better health outcomes for the people served by public programs.

Managed Care: Statewide competitive bidding implemented in 2015 required health insurance companies to find new ways to deliver better quality health care while saving taxpayers more than $1 billion. Changes in the population covered by public health care programs could lead to adjustments in managed care rates and affect future competitive bidding.

Integrated Health Partnerships (IHP): Minnesota's nationally watched reform initiative in the Medicaid program saved more than $150 million in three years alone, while giving providers incentives to improve health care for low-income people. Increased enrollment in public health care programs resulted in more providers participating in the IHP and other accountable care organizations through Medicare and other programs under the ACA. Providers voluntarily participated in the IHP because the growing number of enrollees helped them scale up innovations. Substantive changes in public health care programs could hurt the overall stability of this initiative.[15]

[15] Changes in the number and risk of covered enrollees would require all participating IHP cost targets to be reset, which could affect provider participation.