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August 2, 2012

Agents Coalition
c/o Minnesota Association of Health Underwriters
1821 University Avenue West, Suite S256
Saint Paul, MN 55104

Dear Messrs. Thomes, Dattilo, Flink and Wunderlich:

I would like to take this opportunity to address questions raised in your May 29, 2012 letter regarding Minnesota's efforts to plan and develop our own health insurance exchange.

First, let me thank you for your continued input and participation in the Health Insurance Exchange Advisory Task Force and its Work Groups. Our shared goal is to build an exchange by Minnesotans that fits Minnesota's unique, nation-leading health care system. We want a Minnesota-made exchange, rather than a one-size-fits-all exchange imposed by the federal government.

From the start, our Administration wanted a Task Force whose members reflect diverse perspectives. That is why we made sure agents and brokers were represented on the Task Force. Throughout the Task Force's work, we have operated with the understanding that agents and brokers have a significant role to play in the exchange marketplace. In fact, the exchange marketplace represents a new opportunity for private, non-government insurance coverage for Minnesotans and is a significant business opportunity for industry partners like brokers and their employees.

Your letter raises questions about health insurance-related legislation proposed last session. Specifically, you ask why the Administration did not support HF 2345.

As background, in January 2011 the Health Insurance Exchange Advisory Task Force issued a consensus report that recommended a comprehensive state approach for a Minnesota exchange. Specifically, the Task Force recommended an exchange governed as a public/private partnership, which in its view would best meet the goal of providing health insurance choices to individuals and businesses, while also integrating public health care coverage, like Medicaid, into the exchange. With these recommendations in mind, a bipartisan group of legislators drafted and introduced HF2290/SF1872, a comprehensive legislative proposal for a Minnesota health exchange. This legislation, which our administration supported, included a role for

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navigators and brokers in the exchange, as you can see described in the bill's fiscal note. Several other bills, including HF2345, addressed a narrower set of policy issues but failed to actually establish an exchange.

In his March 26, 2012 letter, Governor Dayton called on the legislature to pass comprehensive exchange legislation. His opposition to HF2345 was based on that bill's piecemeal approach to a public policy, not the idea that private health insurance products should continue to be sold outside the exchange marketplace.

In a related issue, your letter raises questions and concerns about our plans for allowing the sale of private market health insurance outside the exchange. I do not understand the source of this concern. First, nothing in the Task Force recommendations would require that all individual and small group plans be sold exclusively within the exchange. Second, nothing in existing state or federal law requires that all individual and small group health plans be sold exclusively through the exchange. To the contrary, the Task Force recommends that plans sold within the exchange should be substantially similar to those sold outside the exchange, to minimize and mitigate the risks of adverse selection. The clear assumption behind this recommendation is that private market products would continue to be sold outside the exchange.

In your letter, you question whether Jonathan Gruber, who has provided consultation for the Exchange Task Force, speaks for the Department of Commerce when he described in a Washington Post article a future health care system with "cradle to grave exchanges." The answer is no. The Department and the Task Force have sought expert advice to help Minnesota best understand the implications of Affordable Care Act for Minnesota. Jonathan Gruber and Bella Gorman are nationally recognized experts on health care market economics. We retained Mr. Gruber solely for his expertise in health economics modeling. His opinions on matters outside of Minnesota's contract are his and his alone.

Your letter raises questions about whether the exchange would also sell other insurance products, such as disability insurance. The Task Force has not looked at whether the exchange should sell ancillary products like long term care, disability or other products. While I cannot say what future legislatures and Governors might decide in five or ten years, our priority today is to build an exchange marketplace for qualified health insurance plans (QHPs), and any decision to expand this scope will ultimately lie down the road with the legislature and the Governor.

Finally, you ask about broker compensation and whether brokers that become navigators for the Exchange would see a change in how they are compensated. Our goal is to find the best solution for Minnesota's health exchange marketplace, as allowed under federal law and rules. As I said before, we do not recommend that all individual or small group insurance products be sold through the exchange. Indeed, the Task Force Work Group on navigators is assessing a number of issues, including how best to fund and compensate navigators. Federal law and rules

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give states flexibility in designing a navigator system to help individuals and businesses get information about qualified health plans. The federal government puts certain broad limitations on compensation, but we welcome the opportunity to work with you on how agents and brokers can best assist the people and businesses who will purchase coverage in the exchange.

To be clear, Minnesota's public policy choices are for Minnesotans to decide. Since the beginning, our work to develop the exchange has been informed by the clear understanding that we are bound by existing state and federal law, unless or until the legislature passes and the Governor signs new laws governing how the exchange functions. As Minnesota moves forward in the design and development of a Minnesota-made exchange, we look forward to drawing on your expertise and knowledge, to build the best health insurance exchange possible. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Mike Rothman".

Mike Rothman
Commissioner