Minnesota Department of Health
625 Robert Street North
St. Paul, MN 55155

Protecting, maintaining and improving the health of all Minnesotans

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Re: Statement of Healthcare Affordability Priorities

Dear Commissioner Cunningham,

The Health Care Affordability Advisory Task Force (HCAATF) has been charged with providing recommendations to address healthcare affordability in Minnesota. **On behalf of the task force, we are writing to inform you of our work to date and to identify an initial set of priority areas on which the task force intends to develop recommendations.** These priorities are intended to guide the Center's policy development, build understanding of key affordability challenges, and advance health policy conversations in Minnesota in 2026-27.

Since their launch in 2025 and early 2026, the HCAATF and the Provider and Payer Advisory Task Force (PPATF) have reviewed healthcare spending trends, considered public input, identified key affordability concerns, and evaluated potential broad policy topics for further research and development. **The priorities identified in this letter reflect the task force's assessment of where rising healthcare costs are placing pressure on Minnesota households, employers, purchasers, and public programs — and where state policy may have the most opportunity to improve affordability.**

We offer these priorities for the Center's consideration as it develops its research agenda, recognizing that decisions on research priorities and the scope of policy development ultimately rest with the Center and the Commissioner of Health. At the same time, we recognize the Center's capacity is limited, and that not all topics can or should be addressed simultaneously. We ask that the Center propose a workplan for carrying forward these priorities.

A Shared Healthcare Affordability Goal for Minnesota

First, the task force believes that Minnesota will benefit from a clearer public framework for defining, measuring, and improving healthcare affordability over time.

Today, Minnesotans experience rising premiums, deductibles, and out-of-pocket costs without a shared public understanding of what levels of spending growth are sustainable or affordable relative to household budgets, wages, employer cost burden, state spending, or the economy.

To date, the Center has identified two "north stars" that can help orient future affordability work in Minnesota:

- Minnesota's healthcare spending will grow at a slower, more sustainable rate while maintaining or improving residents' health outcomes.
- Fewer Minnesotans will forego or delay needed healthcare due to cost.

The task force views these north stars as important starting points for developing a broader statewide affordability framework and associated measures. **Now, we recommend that Minnesota develop healthcare affordability benchmarks that help answer questions such as:**

- How much should total healthcare spending in Minnesota grow each year?
- How much of a Minnesotan's household budget should reasonably go toward healthcare?

These metrics also need to consider the quality of care Minnesotans receive and the health outcomes they experience. This framework would help Minnesota establish a shared affordability goal, measure progress over time, and guide policy action – while also accounting for the value of care delivered.

To inform this work, the task force will explore the following questions:

- What kinds of healthcare affordability standards or goals have other states adopted, and for what purposes?
- How could Minnesota use affordability goals to inform future policy discussions?

Directional Priorities for Policy Development and Recommendations in 2026–27

Using this broader affordability framework, the task force intends to focus its near-term efforts on developing recommendations in five priority areas that have the potential to influence healthcare spending growth and improve affordability in Minnesota:

1. **High prices and price growth**
2. **Consolidated healthcare markets**
3. **Private equity ownership of healthcare entities**
4. **Health insurance affordability**
5. **Prescription drug spending and transparency**

No single policy will solve healthcare affordability challenges in our state. Rising and variable healthcare prices, market consolidation, insurance premiums, pharmaceutical spending, and ownership structures that siphon resources away from care all contribute to and influence healthcare spending and affordability. Any policy development approaches must account for these connections, as well as perennial challenges associated with workforce shortages, technological advancements, regulatory changes, and other factors.

The task force also recognizes that the ongoing partnership with the PPATF will be essential in this next phase of work to assess operational implications of policy options under consideration. The task force requests that the PPATF continue to help us assess implementation feasibility, unintended consequences, and practical considerations associated with policy approaches under discussion.

1. High prices and price growth

Commercial health insurance reimbursement rates paid to healthcare providers in Minnesota are often substantially higher than Medicare prices and vary widely across providers for the same service without clear differences in quality. Those higher prices contribute to higher premiums, higher employer healthcare costs, and higher out-of-pocket costs for Minnesotans.

Minnesota is well-positioned to consider action in this area. For example, the state has strong analytic infrastructure for studying this issue through the Minnesota All Payer Claims Database, and the Health Economics Program (HEP) is already creating data dashboards to inform empirical discussions about spending drivers including the role that prices play. The Center's work should build upon the foundational research and reports generated by HEP.

The task force recommends that the Center help identify and clarify the primary drivers of high price levels, price growth, and price variation in Minnesota's commercial healthcare market; estimate the extent to which these factors contribute to unnecessary or excessive healthcare spending; and evaluate policy approaches to control price growth.

The task force suggests that the Center consider the potential impacts of policy options such as:

- Limits on excessive prices and/or price growth (e.g., caps)
- Reference-based pricing
- Site-neutral payment policies

2. Consolidated healthcare markets

Consolidation – including associated reductions in competition and increases in market power – can increase the leverage that providers, health plans, or other healthcare entities have to demand higher prices or otherwise influence total healthcare spending. **Those effects may show up as higher prices charged to patients using commercial insurance, faster health insurance premium growth, fewer lower-cost options for employers or purchasers to choose from, and less competitive pressure across the system to control costs.** This includes both horizontal consolidation among health plans or among provider systems, and vertical consolidation across health plans, providers, and associated administrative entities – such as PBMs and claims processors – combined under common ownership.

In some cases, consolidation has also been associated with anti-competitive contracting practices – such as requiring insurers to include all affiliated providers in a network or limiting insurers' ability to steer patients toward lower-cost options. These arrangements may contribute to higher prices while limiting patient access and choice.

Minnesota already reviews certain healthcare transactions, but transaction review is only a first step. The task force requests that the Center **examine what additional oversight mechanisms and policy interventions may be needed to address transactions that do not ultimately benefit the market or Minnesotans, and to protect the affordability and sustainability of the healthcare system over the long term.**

The task force requests that the Center help clarify:

- What factors drive market consolidation, and how Minnesota might address those factors to reduce the incentive for consolidation.
- How current review processes work and whether additional or different factors should be used in those processes.
- When, if ever, market changes should trigger additional scrutiny or intervention.
- What additional oversight tools may be needed when consolidation appears likely to increase prices for individuals, employers, and/or the system as a whole.

3. Private equity ownership of healthcare entities

Across the country, private equity firms and other investor-owned entities are playing an increasingly significant role in the ownership and management of physician practices, hospitals, ambulatory surgery centers, dialysis providers, nursing homes, dental clinics, health plans and other healthcare entities. **Minnesota's healthcare market is already seeing increased involvement of investor-backed entities** through ambulatory surgery center partnerships and joint ventures, behavioral health and other specialty practice acquisitions, and the emergence of third-party organizations that support and influence care delivery, value-based payment arrangements, and clinical operations.

Research suggests that some of these arrangements may increase healthcare spending, create incentives that are not aligned with high-quality patient care or long-term affordability, and reduce access to care for patients.

Minnesota policy leaders have considered potential safeguards. For example, Minnesota legislators recently proposed a bill that would enhance reporting, ban non-clinician ownership, and prevent corporate interference in care. **Still, the scale of investor involvement in Minnesota's healthcare system is not fully known, and additional research, data, and policy development is needed.**

The task force requests that the Center help assess:

- The extent of investor influence in Minnesota's healthcare system.
- Which ownership arrangements may contribute to higher overall spending or higher out-of-pocket costs for patients.
- The market conditions or incentives that may lead to investor involvement.
- What transparency, reporting, or oversight approaches could improve affordability.

4. Health insurance affordability

Rising healthcare costs are ultimately passed through to individuals, employers, and public programs through insurance premiums, deductibles, and other out-of-pocket costs. Minnesota's insurance premiums have increased significantly across various markets and are intensifying concerns about the affordability of coverage. For example, 2026 rates in Minnesota increased an average of 21.5% in the individual market and 14.2% in the small-group market. With the implementation of HR1, changes to the individual market and other insurance regulatory mechanisms will likely cause premium cost growth to continue.

Minnesota's commercial insurance regulatory framework primarily evaluates whether rates are actuarially justified, rather than whether underlying price growth, prescription drug spending, and other premium cost drivers are aligned with Minnesota's affordability goals. The task force requests that the Center collaborate with the Department of Commerce to evaluate what a more affordability-focused approach to insurance oversight could include. Potential areas for analysis may include:

- Limits on unreasonable premium growth.
- Stronger review of provider contracting and pricing practices.
- Greater transparency into the drivers of premium growth.
- Evaluation of how existing insurance requirements, including mandated benefits and other standards, affect premiums, affordability, and value.
- Clearer accountability for health plans' role in managing affordability while maintaining financial sustainability and solvency.

5. Prescription drug spending and transparency

Prescription drugs are a significant and growing driver of healthcare spending in Minnesota and across the country. Many entities influence drug spending, including manufacturers, wholesalers, pharmacy benefit managers (PBMs), pharmacies, insurers, prescribers, and other participants of the supply chain. **Many of these financial arrangements, incentives, and pricing strategies are invisible to individuals, employers, providers and health plans and difficult (or impossible) to evaluate.** For example, PBMs and other intermediaries can influence drug prices and spending through rebates, fees, spread pricing, specialty pharmacy arrangements, and other opaque business practices.

Minnesota has taken steps to improve prescription drug price transparency, PBM oversight, and other affordability mechanisms, including establishing a Prescription Drug Affordability Board. **The task force seeks to understand if additional oversight or policies could further improve affordability for individuals and make healthcare spending more transparent and sustainable.**

The task force requests that the Center help clarify:

- Key drivers of prescription drug spending growth in Minnesota and the relative role of different participants in the pharmaceutical supply chain.
- Current regulatory context around PBMs and other entities, including the impacts of recently enacted state and federal laws.
- Primary affordability and incentive concerns across the pharmaceutical supply chain,
- Where additional transparency is most needed.

- Whether future policy direction should focus on transparency measures, PBM business practices, manufacturer pricing, cost-sharing price caps, or something else.

Requested Areas of Support from the Center

To support future recommendation development, we request that the Center:

- Provide detailed analyses of spending trends and cost drivers.
- Explore how other states have addressed these issues and the impacts of those policies.
- Develop policy options to consider in Minnesota, including estimated impacts and implementation considerations.
- Support iterative policy recommendation development for Minnesota policymakers via staffed working groups or similar approaches.
- Engage consumers, employers, providers, community organizations, advocates, labor organizations, and other impacted groups through ongoing outreach beyond the task forces to ensure affordability policy reflects multiple perspectives.
- Be a resource for policymakers and legislators on healthcare spending trends, affordability challenges, and tradeoffs associated with potential affordability strategies.

Looking Ahead

The task force views this letter as a starting point, and not a final or exhaustive agenda for 2026-2027. The priority areas identified here reflect where the task force believes near-term attention will have the greatest impact on healthcare affordability for Minnesota. Additional important topics — such as insurance benefit design, value-based payment, low-value care, administrative burden, and prior authorization reform — may become areas of focus as initial priorities evolve and the Center's capacity grows. The task force also encourages the Center to seek innovative solutions – not only techniques used in other states – that evolve alongside Minnesota's changing healthcare system.

The HCAATF and PPATF will continue refining these priority areas and developing recommendations through 2027 in consultation with MDH, the Center, healthcare stakeholders, and the public.

We appreciate MDH and the Center's partnership and stand ready to work collaboratively with you and the PPATF to advance policies that make healthcare more affordable for Minnesotans.

Sincerely,

/s/

Sheila Kiscaden, Co-chair, Health Care Affordability Advisory Task Force

/s/

Matthew Anderson, Co-chair, Health Care Affordability Advisory Task Force