

Premium Security Plan Account

End of Session 2019 Update¹

PURPOSE OF ACCOUNT – The Premium Security Plan was created by the 2017 legislature to provide reinsurance payments to health insurers to help cover the cost of high claims in the individual market. These payments are intended to reduce premiums overall and to promote affordable health insurance for Minnesotans. The Minnesota Comprehensive Health Association (MCHA) is responsible for administering the program. The Department of Commerce serves as the fiscal agent for state appropriations directed to the program. The program was originally authorized to operate for two years (2018 and 2019). The 2019 legislature authorized a two year extension through 2020 and 2021.

PRIMARY SOURCES – \$542 million was appropriated from state sources for the program, including \$142 million in transfers from the General Fund and \$400.75 million from the Health Care Access Fund in FY 2018-19. In addition, \$38.7 million in FY 2017 and \$3.2 million in FY 2018 was transferred to the state treasury from the previously existing balance at MCHA. Federal funds are available through a 1332 waiver authorized in October 2017 and are estimated to total \$385 million for plan years 2018 through 2021.

PRIMARY USES – Expenditures for the program are for grants to MCHA for the operational and administrative costs and reinsurance payments of the Minnesota Premium Security Plan. Any state funds not used for the program by June 30, 2023 are to be cancelled back to the Health Care Access Fund.² The 2019 legislature also directed a transfer of \$142 million from the account to the General Fund and authorized up to \$146 million to be transferred to the General Fund with the November 2019 forecast if certain Medical Assistance savings are not realized.³

RELATIONSHIP TO OTHER STATE PROGRAMS – The Premium Security Plan lowers the cost of health insurance on the individual market. Decreases in individual market rates reduce federal funding the state receives to operate its Basic Health Program (MinnesotaCare) for individuals between 138-200 percent of the federal poverty level. As such, the magnitude and longevity of the Premium Security Program impacts how much funding is available for MinnesotaCare. The 2019 extension of the program reduced federal funding for MinnesotaCare by \$188 million, which results in higher state spending from the Health Care Access Fund.

PREMIUM SECURITY PLAN ACCOUNT BALANCE

<i>in thousands</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Balance Forward In		38,547	314,078	593,073	594,323	393,588	309,461
Transfers from General Fund		71,000	71,000				
Transfers from Health Care Access Fund		200,000	200,000				
Transfer from HCAF - Administrative Costs		750					
MCHA Balance Transfer In	38,709	3,236					
Federal Reinsurance Payments ⁴	-			130,720	84,758		
Laws 2019, SS1, Ch 9 - Additional Federal Payments						84,758	84,758
Interest Income	88	1,045	8,758	10,203	10,092		
Total Sources	38,797	314,578	593,836	733,996	689,173	478,346	394,219
MCHA Expenditures ⁵	250	500	763	139,673	153,585		
Laws 2019, SS1, Ch 9 - Reinsurance Payments						168,885	185,685
Laws 2019, SS1, Ch 9 - Transfer to GF					142,000		
Balance	38,547	314,078	593,073	594,323	393,588	309,461	208,534
<i>Laws 2019, SS1, Ch 9 - Contingent Transfer to GF</i>				146,000			
Balance After Contingent Transfer	38,547	314,078	593,073	448,323	247,588	163,461	62,534

¹ This document reflects February 2019 forecast data updated with enacted changes from the 2019 legislative session.

² Laws 2017, Chapter 13; Laws 2017, Special Session 1, Chapter 6, Article 5, Sec. 10; Laws 2019, Special Session 1, Chapter 9, Article 8

³ Laws 2019, Special Session 1, Chapter 9, Article 7, Sec. 35

⁴ Federal funding estimates were initially published in the 1332 waiver approval letter in October 2017, and were amended in December 2018. Federal payments are expected to be drawn down by the state by July 2019 for calendar year 2018 and by July 2020 for calendar year 2019.

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Approval-Letter-MN.pdf>.

⁵ Based upon discussions with MCHA, this statement assumes that payments to health carriers will occur in July for activity in the previous calendar year. 2018 plan year costs are based on preliminary estimates and will be updated in the November 2019 forecast. The magnitude and timing of administrative expenditures are estimates based upon MCHA's 2018 budget.