

Premium Security Plan Account

2025 End of Session

PURPOSE OF ACCOUNT – The Premium Security Plan was established in 2017 to provide reinsurance payments to health insurers that provide coverage in the individual market. These payments offset a portion of insurers’ highest-cost claims to reduce premiums and result in more affordable health insurance for all Minnesotans with individual health insurance. The Minnesota Comprehensive Health Association (MCHA), an independent nonprofit organization, administers the program, and the Department of Commerce serves as the program’s fiscal agent.

SOURCES – Revenues to the account include federal payments made possible through a State Innovation Waiver under Section 1332 of the Affordable Care Act. The waiver and conforming state law are currently in place through plan year 2027. Federal payments are determined by the U.S. Treasury Department. An initial investment of \$543 million was appropriated from the state’s general and health care access funds, and \$247 million was subsequently returned to general fund through legislative action. Additional transfers from the general fund of \$300 million and \$229 million, in fiscal years 2023 and 2025, respectively, were authorized by the 2022 Legislature because of the program’s extension. Any state funds remaining in the Premium Security Plan Account on June 30, 2029, will be returned to the health care access fund.

USES – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan. In addition, the 2023 Legislature authorized a transfer of \$276 million to the general fund in FY 2026 while the 2024 Legislature authorized another transfer of about \$9 million to the general fund in FY 2026 as well.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS – Prior to calendar year 2023, the impact of the Premium Security plan lowering the cost of health insurance on the individual market decreased market rates used to calculate the Basic Health Program (MinnesotaCare) funding the state received for individuals between 138 and 200 percent of the federal poverty level. In December 2022, the federal government finalized a rule changing the Basic Health Program funding formula for future years. These changes attempt to hold states harmless for operating a reinsurance program by modeling Basic Health Program funding as if a state did not operate a reinsurance program.

END OF SESSION STATEMENT

Laws of Minnesota 2025, Special Session 1, Chapter 4 extended the Minnesota Premium Security Plan for plan years 2026 and 2027 through the end of the current five-year waiver. Plan year 2026 is paid for using a combination of a one-time transfer of \$145 million from the health care access fund into the premium security account and balances in the premium security account. Plan year 2027 is paid for using an assessment levied on health carriers. This assessment is onetime in calendar year 2028 on group health carriers operating under the Minnesota Premium Security Plan. This assessment will provide the fund with sufficient resources to operate the Premium Security Account through plan year 2027, which is paid in fiscal year 2028. Additionally, starting with fiscal year 2026, Reinsurance program parameters are to be set to ensure MNsure has sufficient resources to maintain stable operations.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

2025 End of Session

in thousands

	Actuals	Projected	Projected	Projected	Projected	Projected
<u>Sources</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Balance Forward From Prior Year	422,438	355,662	466,635	226,457	727	1,457
Prior Year Adjustments	(72)					
<i>Adjusted Balance Forward</i>	<i>422,366</i>	<i>355,662</i>	<i>466,635</i>	<i>226,457</i>	<i>727</i>	<i>1,457</i>
Revenues						
Federal Pass-Through	119,486	129,884	179,339	99,806	99,806	
Interest Income	21,103	19,480	20,427	10,803	10,730	732
Transfers from the General Fund		229,465				
Total Revenues	140,589	378,829	199,766	110,609	110,536	732
ENACTED						
25, CH 4 - Transfer from the Health Care Access Fund			145,000			
25, CH 4 - Health Carrier Assessments					266,833	
Total Sources	562,955	734,491	811,401	337,066	378,096	2,189
Uses						
MCHA Expenditures	324	356	739	739	739	
Reinsurance Payments	206,969	267,500	299,600	335,600	375,900	
23, CH 57 - Transfer to the General Fund			275,775			
24, CH 127 - Transfer to the General Fund			8,830			
Total Uses	207,293	267,856	584,944	336,339	376,639	
Structural Balance	(66,705)	110,973	(240,178)	(225,730)	730	
Balance	355,662	466,635	226,457	727	1,457	2,189