Health Care Access Fund

February 2019 Forecast Update

PURPOSE OF FUND The health care access fund (HCAF) was created to increase access to health care, contain health care costs, and improve the quality of health care services for Minnesotans.

PRIMARY REVENUE SOURCES Revenues to the fund come from a two percent tax on providers, which will sunset on December 31, 2019, a one percent gross premium tax, MinnesotaCare enrollee premiums, investment income earned on the balance of the fund, and federal match on administrative costs. Federal Basic Health Program (BHP) funding supports MinnesotaCare and is deposited in the federal fund in the state treasury. The BHP is a provision of the Affordable Care Act and is expected to provide $770 million in revenue for MinnesotaCare in FY 2018-19.

PRIMARY EXPENDITURES AND USES Historically, the provision of subsidized health care through MinnesotaCare has been the primary expenditure in the HCAF. After reductions in the cost of the program over recent years, MinnesotaCare is now expected to be 5.9 percent of HCAF spending in FY 2018-19.

Medical Assistance (MA) is forecast to make up 47.0 percent of HCAF spending in FY 2018-19. The portion of MA funded within the HCAF is determined by the legislature and offsets General Fund spending for the program. In FY 2018-19, the HCAF is expected to pay for 7.7 percent of MA.

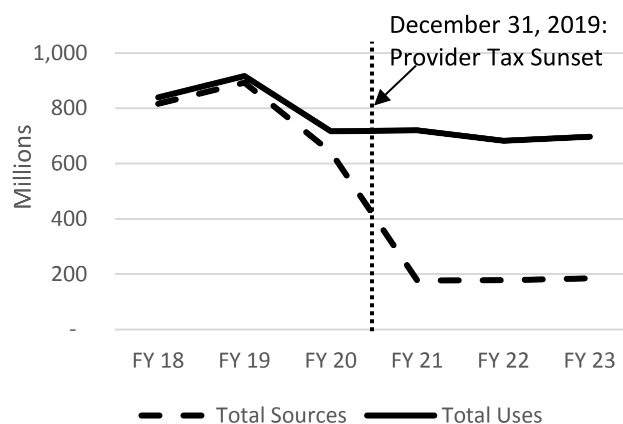
In FY 2018-19, the legislature transferred $401 million out of the fund to pay for a state-based reinsurance program. In addition, $244 million per biennium is statutorily transferred to the General Fund. Other expenditures in the fund support health care access, quality improvement initiatives, and administration.

FORECAST AND FUND BALANCE CHANGES The HCAF is projected to have a balance of $670 million in FY 2019. This is virtually unchanged from the November 2018 forecast estimated balance of $667 million. The FY 2021 forecast balance is $61 million, which is slightly higher ($13 million) than the November forecast, driven by higher tax revenues and lower state spending for MinnesotaCare. The fund is forecast to have a negative balance of $919 million in FY 2023, which is $50 million above the November estimate.

Tax Revenues Anticipated tax revenues are $1 million (0.1 percent) above November forecast estimates for FY 2018-19. In FY 2020-21, net tax revenues are expected to be $5 million (0.7 percent) higher than November estimates due to slightly higher collections and smaller refunds for the provider tax. Due to the expiration of the provider tax, this increase does not persist in the planning years. In FY 2022-23 net tax revenues are up less than $1 million (0.2 percent) from the November forecast.

MinnesotaCare The state cost of MinnesotaCare fell across the forecast horizon. Relative to November 2018 forecast, spending estimates are lower by $1 million (2.4 percent) in FY 2018-19, $3 million (5.4 percent) in FY 2020-21, and $36 million (15.3 percent) in FY 2022-23. In the first two biennia, most of the change is the result of lower enrollment in groups of enrollees paid entirely by the state. In FY 2022-23, the HCAF share of MinnesotaCare is lowered by a higher forecast balance in the Basic Health Program Trust Fund, which is discussed in greater detail on the next page.

HCAF Outlook: Sources and Uses



Planning Years In FY 2023, the HCAF is forecast to have a deficit of $919 million. Following the expiration of the provider tax, revenues in the fund fall from $821 million in FY 2020-21 to $358 million in FY 2022-23.

Expenditures in the fund are anticipated to decline from $1.430 billion in FY 2020-21 to $1.338 billion in FY 2022-23. This decline is driven by the lack of $244 million in transfers to the general fund due to an insufficient balance in the HCAF. Conversely, state spending in MinnesotaCare is forecast to jump from

$53 million in FY 2020-21 to $201 million in FY 2022-23 as a result of changes in projected federal revenue.

BASIC HEALTH PROGRAM TRUST FUND The Basic Health Program Trust Fund is an account in the state's federal fund. Federal BHP payments are deposited in the account and used to fund eligible MinnesotaCare expenses. BHP revenues vary based on a number of factors, including individual market premiums, enrollment, and the age and geographic distribution of program participants. In more recent forecasts, revenues have also fluctuated based on decisions made by the federal government.

The following table illustrates changes in forecast revenues and expenditures in the BHP Trust Fund from the November 2018 forecast.

Basic Health Program Trust Fund
Change in Fund Balance

($ in millions)	FY 2018-19	FY 2020-21	FY 2022-23
November 2018 Balance	**200**	**4**	**0**
Change in Revenues	21	(65)	(53)
Change in Expenditures	(16)	(47)	(34)
February 2019 Balance	**237**	**24**	**0**

The BHP Trust Fund is forecast to have a positive balance of $237 million in FY 2019. This is an 18.7 percent increase over November estimates. In FY 2021, the BHP Trust Fund balance is forecast to be $24 million, a 470.4 percent increase from the November forecast. In FY 2023, the BHP Trust Fund is forecast to have a zero balance. This is unchanged from the November forecast.

Across the three biennia, total revenues are forecast to be $98 million lower than November estimates. There are three primary factors driving this change. First, BHP enrollment is forecast to be roughly 5,000 (about 5.5 percent) lower than November estimates. Lower enrollment results in the state receiving less BHP revenue and reduces expected spending.

This forecast reflects an anticipated adjustment to the Basic Health Program federal funding methodology, which is expected to increase BHP revenues by $157 million. As part of a lawsuit settlement, the Centers for Medicare and Medicaid Services agreed to add a premium adjustment factor in the BHP funding methodology which partially reimbursed Minnesota for the loss of cost sharing subsidies in 2018. Based on the settlement language, it was unclear if the premium adjustment factor would be included in the 2019 funding methodology. However, information published in a recent federal notice suggests that the BHP payment methodology is likely to include a premium adjustment factor for calendar years 2019 and 2020.

This forecast also includes a one-time $150 million reduction in anticipated BHP payments due to a process of settling past payments with the federal government. Federal BHP funding is provided prospectively on a quarterly basis based on projected enrollment. These prospective payments are then reconciled using actual enrollment data once the quarter ends. The Department of Human Services has tentatively reconciled all quarters in calendar year 2015 and has been in discussions with the federal government for the last two years regarding calendar years 2016 and 2017. The reconciliation process is expected to result in the state receiving lower federal BHP payments compared the amount paid prospectively. The difference between prospective and actual payments was driven by several factors, including but not limited to lack of METS functionality and processing errors.

Forecast BHP expenditures are also lower than previous estimates across the forecast horizon. This is primarily a result of lower enrollment and it also driven by lower average costs due to a change in the case mix of BHP enrollees.

Because of lower enrollment and lower average costs in the BHP program, the accumulated balance in the BHP Trust Fund is able to pay for a greater share of costs in FY 2022-23, which reduces the cost to the HCAF. The November forecast estimated that in FY 2022-23 the HCAF Fund would spend $168 million toward Basic Health Program expenditures in FY 2022-23. This forecast lowers that projections to $133 million.

Health Care Access Fund

February 2019

Sources	Actual FY 18	Projected FY 19	Projected FY 20	Projected FY 21	Projected FY 22	Projected FY 23
Balance Forward from Prior Year	712,964	690,957	670,233	602,218	61,213	(416,149)
Prior Year Adjustments	1,009	-	-	-		
Adjusted balance forward	713,973	690,957	670,233	602,218	61,213	(416,149)
Revenues:						
2% Provider Tax	658,371	684,385	475,747	-	-	-
1% Gross Premium Tax	101,180	104,287	108,471	113,275	118,388	123,800
Provider and Premium Tax Refunds	(13,684)	(12,749)	(13,271)	(210)	(219)	(229)
MinnesotaCare Enrollee Premiums	36,577	36,807	37,058	38,139	39,381	40,689
Investment Income	15,591	12,770	12,210	6,400	-	-
MinnesotaCare: Federal Basic Health Program[1] [Non-Add]	[368,675]	[400,835]	[444,224]	[470,882]	[453,901]	[466,027]
Federal Match on Administrative Costs	18,211	18,216	18,222	18,222	18,222	18,222
Total Revenues	**816,246**	**843,716**	**638,438**	**175,826**	**175,772**	**182,482**
Transfers In:						
General Fund: Laws of MN 2015, Ch. 71,Chronic Disease Spending Report	-	50,000	-	-	-	-
General Fund: Laws of MN 2017, Special Session, Ch. 1	-	-	7,200	-	-	-
Total Sources	**1,530,219**	**1,584,673**	**1,315,871**	**778,043**	**236,985**	**(233,668)**
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	8,989	21,628	25,107	28,146	84,607	116,056
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[368,675]	[400,835]	[444,224]	[470,882]	[453,901]	[466,027]
MinnesotaCare: State Share of Enrollee Premiums	36,390	36,807	37,058	38,139	39,381	40,689
Medical Assistance	385,159	438,848	438,848	438,848	438,848	438,848
Department of Human Services [2]	32,869	35,779	35,497	35,497	35,497	35,497
Department of Health [2]	35,707	41,181	36,858	36,258	36,858	36,258
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature [2]	61	192	128	128	128	128
Department of Revenue	1,749	1,754	1,760	1,760	1,760	1,760
Interest on Tax Refunds	165	214	343	-		
Total Expenditures	**503,246**	**578,560**	**577,755**	**580,932**	**639,236**	**671,393**
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a)	122,000	122,000	122,000	122,000	-	-
Total General Fund Transfers	122,000	122,000	122,000	122,000	-	-
Special Revenue Fund: DHS Systems and Other	13,266	13,880	13,898	13,898	13,898	13,898
Premium Security Plan Account	200,750	200,000	-	-	-	-
Total Transfers Out	**336,016**	**335,880**	**135,898**	**135,898**	**13,898**	**13,898**
Total Uses	**839,262**	**914,440**	**713,653**	**716,830**	**653,134**	**685,291**
Structural Balance	(23,016)	(70,724)	(75,216)	(541,005)	(477,362)	(502,809)
Balance	**690,957**	**670,233**	**602,218**	**61,213**	**(416,149)**	**(918,959)**

[1] Federal funding for MinnesotaCare is received through the Basic Health Program and is deposited in a Trust Fund within the state's Federal Fund for use for eligible expenditures.
[2] FY 2019 figure includes funding carried forward from previous years.