

# Health Care Access Fund

February 2020 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** The largest source of funding to the HCAF is a 1.8 percent provider tax. Prior to January 1, 2020, the provider tax was two percent. In addition, revenue to the fund includes a one percent gross premium tax, MinnesotaCare enrollee premiums, investment income earned on the balance of the fund, and federal match on administrative costs.

**PRIMARY EXPENDITURES AND USES** The fund covers portions of the cost of both the Medical Assistance (MA) and MinnesotaCare/Basic Health Plan (BHP) programs. Both of these programs are funded by a combination of state and federal resources. The fund pays for various agency responsibilities including administering the MinnesotaCare/BHP program, and granting resources to partners to enhance public health activities. The portion of MA covered by the HCAF is determined by the legislature. The portion of MinnesotaCare/BHP funded by the HCAF reflects the cost of the program not covered by federal BHP revenue. There is a portion of the MinnesotaCare enrollees that are not eligible for BHP revenue and supported with state-only funds.

**CURRENT BIENNIUM** The FY 2021 HCAF forecast balance is projected to be \$565 million, which is \$26 million (4.6 percent) higher than November 2019 forecast. This is primarily due to reduced spending for MinnesotaCare, which is partially offset by lower anticipated revenue collections.

Anticipated revenues are estimated to be \$1.705 billion in FY 2020-21, or \$11 million (0.6 percent) lower than November 2019 estimates. This change is driven by lower provider tax collections (down 0.3 percent) in calendar year 2019 compared to calendar year 2018.

Total expenditures from the fund are expected to be \$1.783 billion, or \$37 million (2.1 percent) lower than previous forecast. This is due to lower expected spending in the MinnesotaCare program.

**MinnesotaCare** The state share of MinnesotaCare is forecast to be \$98 million in FY 2020-21, which is \$37 million (37.7 percent) lower compared to November 2019 estimates. This is the result of increased federal

BHP revenue in the current biennium that reduces the need for state HCAF funding. This is further explained in detail on the next page.

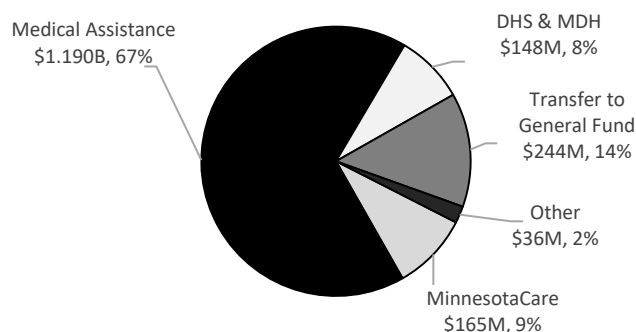
## Expenditure Changes in MinnesotaCare

\$- millions

	FY 20-21	FY 22-23
Smaller HCAF Backfill from BHP	(37.3)	0.9
Higher State-Only Spending	0.4	0.6
<b>Total</b>	<b>(36.9)</b>	<b>1.5</b>

**Medical Assistance** This forecast recognizes no change in the health care access fund share for MA in FY 2020-21 compared to November 2019 forecast. The 2019 omnibus health and human services budget bill appropriated \$1.190 billion from the health care access fund for MA in the current biennium.

## HCAF FY2020-21 Expenditures



**PLANNING ESTIMATES** The health care access fund balance in FY 2023 is forecast to be \$291 million, an increase of \$12 million (4.0 percent) from November 2019 estimates.

Total revenues are expected to be \$1.815 billion in FY 2022-23, a \$13 million (0.7 percent) decrease due to lower expected provider tax revenue compared to previous forecast.

Expenditures in the fund are anticipated to be \$2.089 billion in FY 2022-23, an increase of \$2 million (0.1 percent) compared to November 2019 forecast.

## Structural Deficit

The HCAF reflects a structural deficit, in most years reported. Expected revenues are not sufficient to fund expected expenditures in that same year under current law. Previous year balances carryforward to create an ending balance.

**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 are not directly tied to changes in BHP expenditures but are based on several factors including individual market premiums, enrollment, and the age and geographic distribution of program participants. The BHP Trust Fund has maintained a balance in the most recent fiscal years and is projected to have a balance of \$162 million in FY 2020.

Starting in FY 2021, anticipated revenues and remaining balance in the BHP Trust Fund are not sufficient to cover expected BHP expenditures. This creates a funding gap that requires the HCAF share to automatically increase and to cover expected expenditures for the MinnesotaCare/BHP population.

The following table illustrates the BHP Trust Fund balance and the estimated HCAF share for this forecast. The balance of the BHP Trust Fund is zero because of the HCAF backfills the deficit.

**Basic Health Program Trust Fund**

\$ - millions

	FY20	FY21	FY22	FY23
Beginning Balance	304	162	0	0
Revenue	265	224	273	377
Net Expenditures	406	425	456	492
Balance	162	(39)	(183)	(115)
<b>Feb20 HCAF Share</b>		<b>39</b>	<b>183</b>	<b>115</b>
<b>Nov19 HCAF Share</b>		<b>76</b>	<b>181</b>	<b>115</b>
<b>Change</b>		<b>(37)</b>	<b>2</b>	<b>0</b>

**CHANGES FROM PREVIOUS FORECAST**

Changes to revenues and expenditures in the BHP Trust Fund impact the amount of HCAF share for the MinnesotaCare-BHP eligible population. In this forecast, revenue is expected to be \$37 million (27.4 percent) higher than previous forecast. The increase in federal revenue lowers the amount of HCAF share in the current biennium.

The change in expected BHP revenue in FY 2020-21 reflects the Department of Human Services (DHS) reconciling with the Centers for Medicare and

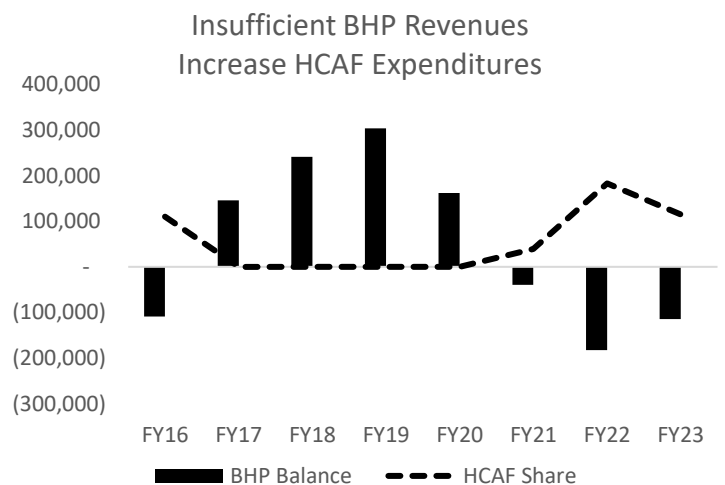
Medicaid (CMS) federal BHP revenue payments for the first three quarters of CY 2016.

BHP revenue is provided prospectively based on projected enrollment that is later reconciled using actual enrollment data. During reconciliation, DHS must submit detailed demographic data on all eligible enrollees in order to justify the prospective BHP payments. Due to systems issues in 2016, the November 2019 forecast anticipated a revenue take-back of \$111 million for reconciliation of the first three quarters of calendar year 2016. After final reconciliation with CMS, the actual take-back is \$75 million, which increases revenue in the current biennium by \$37 million compared to previous forecast.

**PLANNING YEARS**

In FY 2022-23, both revenues and expenditures are relatively unchanged from the previous forecast. BHP revenues in FY 2022-23 are anticipated to be \$650 million, or \$2 million lower than previous forecast. Expenditures on the MinnesotaCare-BHP eligible population are anticipated to be \$948 million, or no change from the November 2019 forecast.

The BHP revenue is expected to cover 69 percent of BHP expenditures (net enrollee premiums) in the planning estimates, which requires \$297 million to be funded by HCAF. The BHP Trust Fund no longer has balances to support this structural imbalance, which causes the need for a HCAF backfill. This relationship is further illustrated by the graph below.



# Health Care Access Fund

February 2020

	Actual FY 18	Actual FY 19	Projected FY 20	Projected FY 21	Projected FY 22	Projected FY 23
<b>Sources</b>						
Balance Forward from Prior Year	712,964	690,957	636,130	636,189	564,900	375,142
Prior Year Adjustments	1,009	1,517	-	-	-	-
Adjusted balance forward	713,973	692,474	636,130	636,189	564,900	375,142
<b>Revenues:</b>						
2%/1.8% Provider Tax	658,371	687,235	697,836	683,205	719,188	758,563
1% Gross Premium Tax	101,180	100,064	105,913	110,876	116,150	121,957
Provider and Premium Tax Refunds	(13,684)	(11,851)	(13,095)	(12,571)	(13,285)	(14,051)
MinnesotaCare Enrollee Premiums	36,577	35,552	33,755	33,805	35,036	36,405
Investment Income	15,591	20,167	13,850	13,190	10,270	7,260
MinnesotaCare: Federal Basic Health Program <sup>1</sup> [Non-Add]	[368,675]	[380,885]	[405,955]	[425,031]	[455,842]	[491,910]
Federal Match on Administrative Costs	18,211	18,738	18,978	18,768	18,773	18,773
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>816,246</b>	<b>849,905</b>	<b>857,237</b>	<b>847,273</b>	<b>886,132</b>	<b>928,907</b>
<b>Transfers In:</b>						
General Fund: Laws of MN 2017, Special Session, Ch. 1	-	-	7,200	-	-	-
<b>Total Sources</b>	<b>1,530,219</b>	<b>1,542,379</b>	<b>1,500,567</b>	<b>1,483,462</b>	<b>1,451,032</b>	<b>1,304,049</b>
<b>Uses</b>						
<b>Expenditures:</b>						
MinnesotaCare: Direct Appropriation	8,989	21,887	27,097	70,624	217,520	152,558
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[368,675]	[380,885]	[405,955]	[385,853]	[273,019]	[377,380]
MinnesotaCare: State Share of Enrollee Premiums	36,390	35,081	33,755	33,805	35,036	36,405
Medical Assistance	385,159	438,848	586,959	602,583	611,178	612,099
Department of Human Services <sup>2</sup>	32,869	32,489	35,497	34,855	34,859	34,859
Department of Health <sup>2</sup>	35,707	37,246	40,807	36,832	37,432	36,832
University of Minnesota Legislature <sup>2</sup>	2,157 61	2,157 64	2,157 316	2,157 -	2,157 -	2,157 -
Department of Revenue	1,749	1,754	1,760	1,760	1,760	1,760
Interest on Tax Refunds	165	142	132	48	50	53
<b>Total Expenditures</b>	<b>503,246</b>	<b>569,668</b>	<b>728,480</b>	<b>782,664</b>	<b>939,992</b>	<b>876,723</b>
<b>Transfers Out:</b>						
<b>To General Fund</b>						
M.S. 16A.724 Subd 2(a)	122,000	122,000	122,000	122,000	122,000	122,000
<b>Total General Fund Transfers</b>	<b>122,000</b>	<b>122,000</b>	<b>122,000</b>	<b>122,000</b>	<b>122,000</b>	<b>122,000</b>
Special Revenue Fund: DHS Systems and Other Premium Security Plan Account	13,266 200,750	13,880 200,000	13,898 -	13,898 -	13,898 -	13,898 -
Special Revenue Fund: MDH ITA Transfers		701				
<b>Enacted Changes to Transfers Out:</b>						
General Fund: M.S. 16A.724 Subd 2(a)	-	-	-	-	-	-
<b>Total Transfers Out</b>	<b>336,016</b>	<b>336,581</b>	<b>135,898</b>	<b>135,898</b>	<b>135,898</b>	<b>135,898</b>
<b>Total Uses</b>	<b>839,262</b>	<b>906,249</b>	<b>864,378</b>	<b>918,562</b>	<b>1,075,890</b>	<b>1,012,621</b>
<b>Structural Balance</b>	<b>(23,016)</b>	<b>(56,344)</b>	<b>59</b>	<b>(71,289)</b>	<b>(189,758)</b>	<b>(83,714)</b>
<b>Balance</b>	<b>690,957</b>	<b>636,130</b>	<b>636,189</b>	<b>564,900</b>	<b>375,142</b>	<b>291,428</b>

<sup>1</sup> 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.

<sup>2</sup> FY 2020 figure includes funding carried forward from previous years.

