

# Premium Security Plan Account

February 2020 Update

**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 and to promote affordable health insurance for Minnesotans. The Minnesota Comprehensive Health Association (MCHA) administers the program, and the Department of Commerce serves as the fiscal agent for state appropriations directed to the program. The program is authorized to operate for plan years 2018 through 2021 in state law. The projected balance in FY 2023 is \$236 million, an increase of \$6 million (3 percent) from the balance projected in the November 2019 forecast. Any state funds remaining in the account on June 30, 2023 will be returned to the health care access fund.

**PRIMARY SOURCES** – Approximately \$543 million was appropriated in from state sources for the program in FY 2018-19. This includes \$142 million in transfers from the general fund and about \$401 million from the health care access fund in FY 2018-19. In addition, approximately \$42 million was transferred to the state treasury from the existing balance at MCHA from FY 2017 to FY 2020. This funding, along with the federal funds authorized in the 1332 waiver in October 2017 comprise the total funding available for the reinsurance program.

Increases in federal funding estimates and a correction in the interest calculation drive small changes in the total revenue projections overall. Projected revenues are \$241 million in FY 2020-21, a 2% increase, and \$187 million in FY 2022-23, a 3% increase, from November. Federal funds from the 1332 waiver are estimated to total \$389 million for FY 2020-23 or plan years 2018-21.<sup>1</sup>

**PRIMARY USES** – Expenditures in this account are expected to be \$294 million in FY 2020-21, a 1% increase from November and \$354 million in FY 2022-23, which is unchanged from the November forecast. The increase in expenditures estimated for FY 2021 is driven by updated data from the health plans on eligible claims. Expenditures in the fund represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan. Other uses in the fund include a transfer to the general fund of \$142M, which was enacted in the 2019 as part of the budget resolution.

**RELATIONSHIP TO OTHER STATE PROGRAMS** – The Premium Security Plan lowers the cost of health insurance on the individual market from a baseline level. Decreases in individual market rates reduce federal funding the state receives to operate its Basic Health Program (MinnesotaCare) for individuals between 138 and 200 percent of the federal poverty level. As such, the Premium Security Program impacts how much funding is available for MinnesotaCare.

## PREMIUM SECURITY PLAN ACCOUNT BALANCE

<i>in thousands</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Balance Forward In</b>	38,547	314,078	597,643	605,253	403,229	328,627
Transfers from General Fund	71,000	71,000				
Transfers from Health Care Access Fund	200,750	200,000				
MCHA Balance Transfer In	3,236		141			
Federal Pass Through <sup>2</sup>			130,720	86,064	86,064	86,064
Interest Income	1,045	13,157	13,382	11,205	8,127	6,264
<b>Total Sources</b>	<b>314,578</b>	<b>598,235</b>	<b>741,886</b>	<b>702,522</b>	<b>497,420</b>	<b>420,955</b>
MCHA Expenditures	500	592	508	693	693	305
Reinsurance Payments <sup>3</sup>			136,125	156,600	168,100	184,900
Transfer to General Fund				142,000		
<b>Balance</b>	<b>314,078</b>	<b>597,643</b>	<b>605,253</b>	<b>403,229</b>	<b>328,627</b>	<b>235,750</b>

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<sup>1</sup> <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-MN-2020.pdf>

<sup>2</sup> Federal funding estimates for plan years 2018 and 2019 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 in July or August for activity in the previous calendar year.

<sup>3</sup> This statement assumes that payments to health carriers will occur in July or August for activity in the previous calendar year.