

Premium Security Plan Account

February 2022

PURPOSE OF ACCOUNT – The Premium Security Plan was created by the 2017 legislature to provide reinsurance payments to health insurers, to help cover high-cost claims in the individual market. These payments are intended to reduce premiums and result in more 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 to the program.

SOURCES – Revenues to the fund 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 for plan years 2018-2022. Payments are determined by the U.S. Treasury Department. An initial investment of \$543 million was appropriated from the state’s general fund and health care access funds, and \$247 million was subsequently returned to the general fund through legislative action.

USES – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS – The Premium Security Plan lowers the cost of health insurance on the individual market from what it would be otherwise. Decreases in individual market rates also 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 duration and magnitude of the Premium Security Program impacts how much funding is available for MinnesotaCare. Any state funds remaining in the Premium Security Plan Account on June 30, 2024 will be returned to the health care access fund.

FORECAST AND FUND BALANCE CHANGES

Change in Premium Security Plan Account Balance		
(\$ millions)	FY 22-23	FY 24-25
Nov 21 Projected Balance	81.403	81.661
Prior Year Changes		(2.06)
Revenue Changes	(0.170)	(0.051)
Expenditure Changes	1.890	
Feb 22 Projected Balance	79.343	79.550

The Premium Security Plan Account is projected to have a balance of \$79.550 million at the end of the program. This is a \$2.111 million (2.6 percent) decrease from the November forecast. This forecast assumes a 2021 program size of \$194.7 million, a \$733,000 (0.4 percent) decrease from previous forecast, based on estimates from MCHA regarding plan year 2021. Additionally, the Department of Commerce estimates payments for plan year 2022 (payments attributed to FY 2023), are expected to be \$188.100 million, an increase of \$2.700 million (1.5 percent) from November estimates. Early 2022 data shows that health plans are seeing higher than usual claims due to the impacts of the pandemic, such as long COVID, higher per patient costs because of deferred care, and higher provider costs. Finally, this forecast reflects a small \$77,000 decrease in MCHA administrative costs for plan year 2021. Minnesota has yet to receive communication from CMS regarding the final federal pass through funding for plan year 2022, so federal funding in this statement is estimated.

PREMIUM SECURITY PLAN ACCOUNT BALANCE

in thousands

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Balance Forward From Prior Year	38,547	314,078	592,238	536,744	217,730	160,332	79,343
Prior Year Adjustments				644			
<i>Adjusted Balance Forward</i>	<i>38,547</i>	<i>314,078</i>	<i>592,238</i>	<i>537,388</i>	<i>217,730</i>	<i>160,332</i>	<i>79,343</i>
Transfers from the General Fund	71,000	71,000					
Transfers from the Health Care Access Fund	200,750	200,000					
MCHA Balance Transfer In	3,236		141	1			
Federal Pass-Through		130,720	84,758	86,064	142,727	107,045	
Interest Income	1,045	13,157	10,332	1,736	938	624	372
Total Sources	314,578	728,955	687,469	625,189	361,395	268,001	79,715
MCHA Expenditures	500	592	420	249	448	558	165
Reinsurance Payments		136,125	150,305	160,210	194,667	188,100	
19, SS1, Ch. 9 - transfer to General Fund				142,000			
20, SS5, Ch. 3 - transfer to General Fund				105,000			
21, SS1, Ch. 15 - transfer to Health Care Access Fund					5,948		
Total Uses	500	136,717	150,725	407,459	201,063	188,658	165
Balance	314,078	592,238	536,744	217,730	160,332	79,343	79,550