

Premium Security Plan Account

February 2023

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 through plan year 2027. 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. 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 as a result 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.

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.

FORECAST AND FUND BALANCE CHANGES

Premium Security Account Changes

(Amounts in Millions)

	<u>FY22-23</u>	<u>FY24-FY25</u>	<u>FY26-27</u>
November 2022 Ending Balance	401	378	0
Prior Year Changes		12	49
Expenditure Changes	(9)	(29)	(31)
Revenue Increases	3	8	8
February 2023 Balance	413	427	88

At the end of the current biennium, the balance in the account is \$413 million, an increase of \$12 million (3.0 percent) from the November 2022 forecast. This change is primarily explained by expenditures changes. At the end of FY 2024-25 biennium, the balance in account is projected to be \$427 million, an increase of \$49 million (13.2 percent) from the November 2022 forecast. This is primarily explained by changes in expenditures and the continued impact of lower-than-expected actual claims in fiscal year 2023. At the end of the FY 2026-27

biennium, the balance in the account is projected to be \$88 million. In the November 2022 forecast, the balance in the account was anticipated to be zero. This increase is primarily explained by changes in the current biennium and FY 2024-25 biennium which increases the starting balance in the FY 2026-27 biennium by \$49 million.

Expenditure Changes

Total expenditures in the account in the FY 2023-23 biennium are \$340 million, a decrease of \$9 million (2.5 percent) from the November 2022 forecast. This increase is explained by actual program experience. Actual claims are below November forecast estimates, and result in smaller total program expenditures in fiscal year 2023. Total projected expenditures in the FY 2024-25 biennium are \$475 million, a decrease of \$29 million (5.9 percent). While anticipated year over year growth in the program is unchanged from November, the impact of lower claims and total program size in the current year decreases expenditures in future years compared to November. In the FY 2026-27 biennium, expenditures in the fund are \$596 million, a decrease of \$30 million (4.8 percent) from the November forecast due to the continued impact of lower actuals in the current fiscal year.

Revenue Changes

In the current biennium, revenues and transfers into the fund are forecast to be \$541 million, an increase of \$3 million from November (0.5 percent), \$491 million in the FY2024-25 biennium, an increase of \$8 million (1.6 percent), and \$257 million in the FY 2026-27 biennium, an increase of \$8 million (3.2 percent). These changes from the November forecast are attributable to higher interest earnings due to higher interest rates.

The balance in the account at the end fiscal year 2027 reflects the state paying for program operations through plan year 2026. The state has legal authority to implement the program through plan year 2027. Any balance in the account available at the start of fiscal year 2028 may be used to operate a program within available resources for plan year 2027.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

<i>in thousands</i>	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Balance Forward From Prior Year	217,826	165,759	412,700	319,162	427,418	276,514
Prior Year Adjustments						
<i>Adjusted Balance Forward</i>	<i>217,826</i>	<i>165,759</i>	<i>412,700</i>	<i>319,162</i>	<i>427,418</i>	<i>276,514</i>
Transfers from the General Fund		300,092		229,465		
Transfers from the Health Care Access Fund						
MCHA Balance Transfer In						
Federal Pass-Through	142,727	91,110	121,480	121,480	121,480	121,480
Interest Income	859	6,181	9,435	8,669	9,106	4,913
Total Sources	361,412	563,142	543,615	678,776	558,004	402,907
MCHA Expenditures	397	542	602	645	691	739
Reinsurance Payments	189,308	149,900	223,851	250,713	280,799	314,495
19, SS1, Ch. 9 - transfer to General Fund						
20, SS5, Ch. 3 - transfer to General Fund						
21, SS1, Ch. 15 - transfer to Health Care Access Fund	5,948					
Total Uses	195,653	150,442	224,453	251,358	281,490	315,234
Balance	165,759	412,700	319,162	427,418	276,514	87,673