

# Health Care Access Fund

February 2024 Forecast

**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. The largest source of funding to the HCAF is a 1.8 percent provider tax. Prior to January 1, 2020, the provider tax was 2.0 percent. The tax was temporarily reduced to 1.6 percent for calendar year 2023 and returned to 1.8 percent on January 1, 2024. In addition, revenue to the fund includes a 1.0 percent gross premium tax, MinnesotaCare enrollee premiums, investment income earned on the balance of the fund, and federal match on administrative costs.

The fund covers portions of the cost of both the Medical Assistance (MA) and MinnesotaCare/Basic Health Program (BHP) programs. Both programs are funded by a combination of state and federal resources. The portion of MinnesotaCare funded by the HCAF reflects the cost of the program not covered by federal BHP revenue or enrollee-paid premiums, and the cost of enrollees not eligible for federal BHP funding (state-only funded enrollees). The legislature appropriates the amount of MA expenditures funded by the HCAF, so this amount does not change with the forecast. The fund also pays for various agency responsibilities including administering the BHP/MinnesotaCare program and granting resources to partners that enhance public health activities.

**FORECAST AND FUND BALANCE CHANGES** The HCAF is expected to have a balance of \$463 million at the end of the current biennium. This is a \$17 million (3.5 percent) decrease from the previous forecast. At the end of the FY 2026-27 planning biennium, the ending balance is expected to be \$142 million, a \$11 million (7.1 percent) decrease from the previous forecast. These decreases are primarily explained by lower forecast revenue.

Change in HCAF Balance		
(\$ millions)	FY 24-25	FY 26-27
<b>Prior Projected Balance</b>	<b>480</b>	<b>153</b>
Prior Year Changes	N/A	(17)
Revenue Changes	(19)	4
Expenditure Changes	(2)	(2)
<b>New Projected Balance</b>	<b>463</b>	<b>142</b>

**Change in Sources.** HCAF revenues and transfers in are projected to be \$1.989 billion in FY 2024-25, a \$19 million (0.9 percent) decrease from previous projections. This decrease is primarily explained by lower forecast premium tax collections due to higher-than-expected refunds in FY2023. In the FY 2026-27 biennium, revenues are \$2.229 billion, an increase of \$240 million (12.1 percent) over the FY 2024-25 biennium and \$4 million (0.2 percent) above the previous forecast.

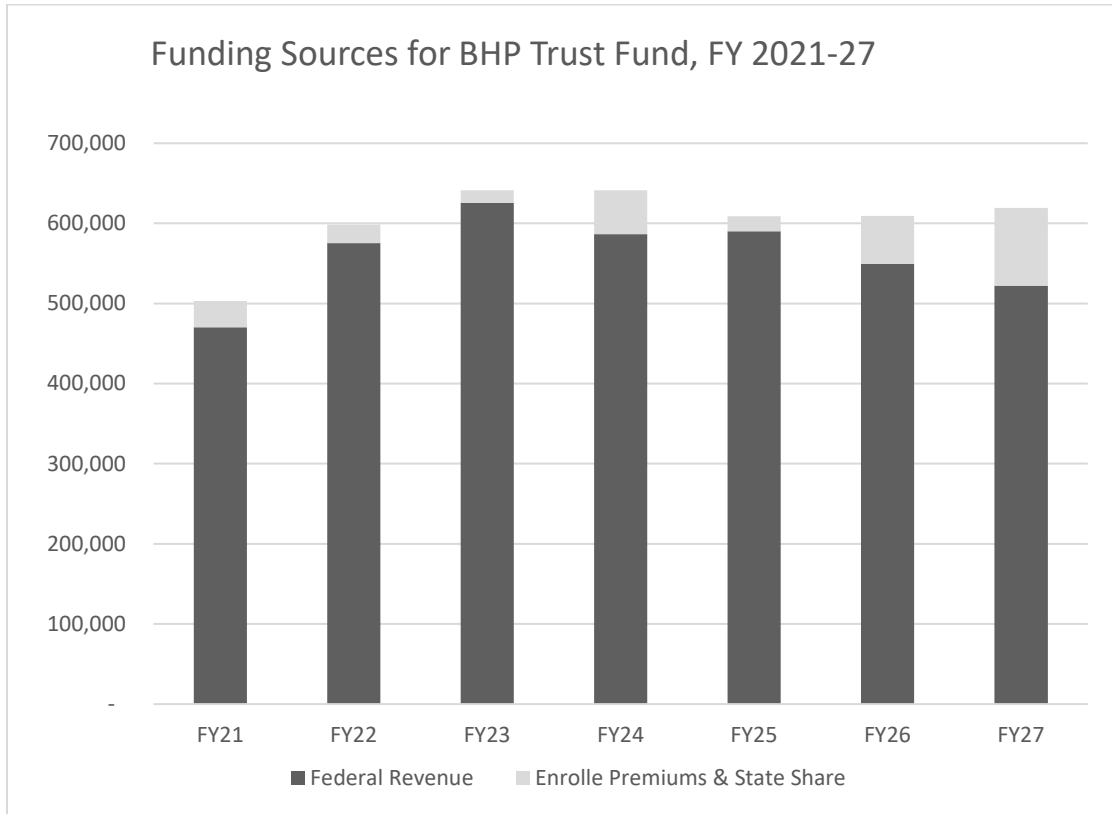
**Change in Expenditures.** Total spending is forecast to equal \$2.390 billion in FY 2024-25, a decrease of \$2 million (0.1 percent) compared to the previous forecast. This decrease is primarily explained by lower MinnesotaCare spending. Expenditures in the FY 2026-27 biennium are \$2.531 billion, a \$141 million (5.9 percent) increase over the FY 2024-25 biennium and \$2 million (0.1 percent) lower than previous estimates.

## BASIC HEALTH PROGRAM TRUST FUND

Federal BHP payments are deposited in the BHP Trust Fund and used to fund eligible MinnesotaCare expenses. Federal BHP funding is not directly tied to changes in BHP expenditures but is based on several factors including individual market premiums, enrollment, and the age, income, and geographic distribution of program participants. When federal BHP revenues and enrollee premiums exceed eligible expenditures, a balance can accumulate in the fund. The fund, however, is projected to have a zero balance at the end of each biennium in the forecast horizon because total program expenditures are forecast to exceed federal reimbursements and enrollee premiums. State funding from the HCAF is required when BHP costs exceed federal revenue and enrollee premiums. Enrollee premiums and state funding are projected to comprise a larger share of total BHP funding in the FY 2026-27 biennium than in the current biennium because of the expiration of the current individual market

premium subsidies at the end of calendar 2025. This change will reduce federal revenue to the Trust Fund, because federal BHP payments determined by the aggregate value of premium subsidies that BHP enrollees would qualify for. The premium subsidies also set a limit on BHP enrollees' premiums, and this change will increase their premiums for BHP coverage.

Due to offsetting increases in spending and revenue, the HCAF's share of BHP costs is projected to decrease by less than \$1 million in both the FY 2024-25 and the FY 2026-27 biennia compared to the previous forecast (1.3 and 0.2 percent, respectively).



**Changes in BHP Revenues.** Federal BHP revenues for the current biennium are forecast to increase \$3 million (0.2 percent), compared to the previous forecast. In FY 2026-27, BHP revenues are forecast to increase by \$3 million (0.3 percent).

**Changes to BHP Expenditures.** In FY 2024-25, BHP expenditures from the BHP Trust Fund increased \$2 million (0.1 percent) from the previous forecast. In FY 2026-27, BHP expenditures are forecast to increase by \$3 million (0.3 percent).

# Health Care Access Fund

2024 February Forecast

Sources	Actual	Actuals	Actuals	Actuals	Projected	Projected	Projected	Projected
	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
Balance Forward from Prior Year	636,130	630,769	551,558	663,547	953,921	832,268	463,111	237,779
Prior Year Adjustments	587	2,841	1,280	3,000	-	-	-	-
Adjusted balance forward	636,717	633,610	552,838	666,547	953,921	832,268	463,111	237,779
<b>Revenues:</b>								
2%/1.8% Provider Tax [1.6% in CY 23]	695,934	667,158	787,926	761,271	786,264	881,614	924,092	965,568
1% Gross Premium Tax	95,710	106,485	122,708	132,577	127,614	134,322	140,673	146,981
Provider and Premium Tax Refunds	(14,071)	(31,861)	(40,484)	(36,848)	(20,707)	(23,350)	(24,743)	(25,925)
MinnesotaCare Enrollee Premiums	30,816	33,046	6,152	1,009	553	1,833	17,712	34,750
Investment Income	15,772	3,883	3,387	33,673	40,190	22,390	7,450	3,590
MinnesotaCare: Federal Basic Health Program <sup>1</sup> [Non-Add]	[271,243]	[354,249]	[542,893]	[617,659]	[586,406]	[590,272]	[549,250]	[522,211]
Federal Match on Administrative Costs	15,931	15,371	17,049	18,095	18,700	19,307	19,307	19,307
<b>Total Revenues</b>	<b>840,092</b>	<b>794,082</b>	<b>896,738</b>	<b>909,777</b>	<b>952,615</b>	<b>1,036,115</b>	<b>1,084,491</b>	<b>1,144,270</b>
				724,423	765,557	858,264	899,349	939,643
<b>Transfers In:<sup>2</sup></b>								
General Fund: Laws of MN 2021, Special Session, Ch. 7			79,101					
Premium Security Plan Acct: Laws of MN 2021, Special Session, Ch. 7			5,948					
Cancellation from Odyssey Fund to HCAF				392				
<b>Total Sources</b>	<b>1,484,009</b>	<b>1,427,692</b>	<b>1,534,625</b>	<b>1,576,716</b>	<b>1,906,536</b>	<b>1,868,384</b>	<b>1,547,602</b>	<b>1,382,049</b>
<b>Uses</b>								
<b>Expenditures:</b>								
MinnesotaCare: Direct Appropriation	26,248	32,842	55,074	57,856	99,462	65,806	129,617	167,287
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[395,613]	[470,292]	[575,436]	[617,659]	[586,406]	[590,272]	[549,250]	[522,211]
MinnesotaCare: State Share of Enrollee Premiums	30,768	32,976	6,152	953	553	1,833	17,712	34,750
Medical Assistance	586,959	602,583	602,596	353,265	776,054	1,194,104	1,003,980	866,308
Department of Human Services <sup>3</sup>	36,385	34,753	35,218	35,057	57,272	76,318	91,227	106,783
Department of Health <sup>3</sup>	35,180	34,864	34,645	36,811	55,353	53,290	53,354	50,962
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157
Legislature <sup>3</sup>	316	-	-	-	-	-	-	-
Department of Revenue	1,760	1,757	1,756	1,764	1,760	1,760	1,760	1,760
MNsure <sup>3</sup>	30	124	72	72	1,423	-	-	-
Board of Pharmacy	-	-	-	1	76	38	-	-
Interest on Tax Refunds	239	696	1,271	1,850	433	457	506	528
<b>Total Expenditures</b>	<b>720,042</b>	<b>742,752</b>	<b>738,941</b>	<b>489,786</b>	<b>994,542</b>	<b>1,395,763</b>	<b>1,300,313</b>	<b>1,230,535</b>
<b>Transfers Out:</b>								
<b>To General Fund</b>								
M.S. 16A.724 Subd 2(a) <sup>4,5</sup>	122,000	122,000	122,000	122,000	70,215	-	-	-
<b>Total General Fund Transfers</b>	122,000	122,000	122,000	122,000	70,215	-	-	-
Special Revenue Fund: DHS Systems and Other	11,198	10,748	10,137	10,386	9,510	9,510	9,510	9,510
Special Revenue Fund: MDH ITA Transfers	-	634	-	623	-	-	-	-
<b>Enacted Changes to Transfers Out:</b>								
General Fund: M.S. 16A.724 Subd 2(a)	-	-	-	-	-	-	-	-
<b>Total Transfers Out</b>	<b>133,198</b>	<b>133,382</b>	<b>132,137</b>	<b>133,009</b>	<b>79,725</b>	<b>9,510</b>	<b>9,510</b>	<b>9,510</b>
<b>Total Uses</b>	<b>853,240</b>	<b>876,134</b>	<b>871,078</b>	<b>622,795</b>	<b>1,074,267</b>	<b>1,405,273</b>	<b>1,309,823</b>	<b>1,240,045</b>
<b>Structural Balance</b>	<b>(5,948)</b>	<b>(82,052)</b>	<b>110,709</b>	<b>287,374</b>	<b>(121,653)</b>	<b>(369,158)</b>	<b>(225,332)</b>	<b>(95,775)</b>
<b>Balance</b>	<b>630,769</b>	<b>551,558</b>	<b>663,547</b>	<b>953,921</b>	<b>832,268</b>	<b>463,111</b>	<b>237,779</b>	<b>142,004</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> Laws 2017, chapter 13, article 1, section 15, as amended by Laws 2022, Chapter 44, Section 5 requires, requires the balance of the Premium Security Plan Account to be transferred to the HCAF at the end of FY 2029. The HCAF statement will recognize that transfer if it occurs. Laws 2023, Chapter 57 transfers \$276 million from the Premium Security Account to The General Fund in FY 2026.

<sup>3</sup> FY 2023 figure includes funding carried forward from previous years.

<sup>4</sup> Laws 2021, Special Session 1, chapter 7, article 1, Sec. 40, paragraph (b) as amended by Laws 2022, Chapter 44, Sec. 6, repeals this transfer starting in FY 2025.

<sup>5</sup> Laws 2022, Chapter 44, Section 1 limits the amount to be transferred from the HCAF to the general fund at \$70.215 million in fiscal year 2024.