

Health Care Access Fund

November 2018 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 Revenues to the fund come from a two percent tax on providers, which will sunset on December 31, 2019, a one percent gross premium tax, MinnesotaCare enrollee premiums, investment income earned on the balance of the fund, and federal match on administrative costs. Federal Basic Health Program (BHP) funding supports MinnesotaCare and is deposited in the federal fund in the state treasury. The BHP is a provision of the Affordable Care Act and is expected to provide \$786 million in revenue for MinnesotaCare in FY 2018-19.

PRIMARY EXPENDITURES AND USES Historically, the provision of subsidized health care through MinnesotaCare has been the primary expenditure in the HCAF. After reductions in the cost of the program over recent years, MinnesotaCare is now expected to be 6.0 percent of HCAF spending in FY 2018-19.

Medical Assistance (MA) is forecast to make up 46.9 percent of HCAF spending in FY 2018-19. The portion of MA funded within the HCAF is determined by the legislature and offsets General Fund spending for the program. In FY 2018-19, the HCAF is expected to pay for 7.7 percent of MA.

In FY 2018-19, the legislature transferred \$401 million out of the fund to pay for a state-based reinsurance program. In addition, \$244 million per biennium is statutorily transferred to the General Fund. Other expenditures in the fund support health care access, quality improvement initiatives, and administration.

FORECAST AND FUND BALANCE CHANGES The HCAF is projected to have a balance of \$667 million in FY 2019. This is \$63 million above end of session 2018 estimates and is the result of higher revenue estimates. The FY 2021 forecast balance is \$48 million, which is slightly lower (\$13 million) than end of session estimates. In FY 2020-21 higher medical assistance spending offsets higher anticipated revenue collections.

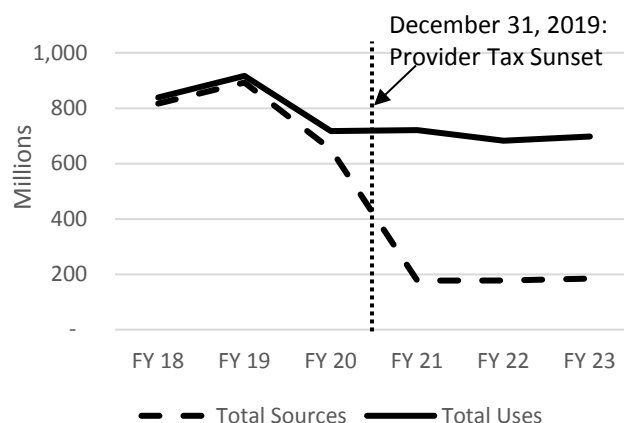
Tax Revenues Anticipated tax revenues are \$22 million (12.3 percent) above end of session estimates for FY 2018-19 and \$28 million (4.3 percent) higher in FY 2020-21. This change is driven by higher than expected

premium tax collections in calendar year 2018, which increase expected revenues across the forecast horizon.

MinnesotaCare The state cost of MinnesotaCare fell by \$11 million (25.0 percent) in FY 2018-19 and increased by \$5 million (9.7 percent) in FY 2020-21 compared to end of session 2018 estimates.

Medical Assistance This forecast reflects a higher health care access fund share for MA in FY 2020-21 than previously forecast. The 2017 omnibus health and human services appropriations bill did not reduce the health care access fund share of MA from 2019 to 2020 and 2021 to conform to tracked impacts. As a result, the health care access fund share of MA is forecast to be \$119 million (15.7 percent) higher than end of session estimates.

HCAF Outlook: Sources and Uses



Planning Years This is the first forecast to include the FY 2022-23 biennium. In FY 2023, the fund is forecast to have a deficit of \$969 million. Following the expiration of the provider tax, revenues in the fund fall from \$819 million in FY 2020-21 to \$363 million in FY 2022-23.

Expenditures in the fund are anticipated to decline from \$1.438 billion in FY 2020-21 to \$1.380 billion in FY 2022-23. This decline is driven by the lack of \$244 million in transfers to the general fund due to an insufficient balance in the HCAF. Conversely, state spending in MinnesotaCare is forecast to jump from \$56 million in FY 2020-21 to \$237 million in FY 2022-23 as a result of lower federal revenue.

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 vary based on a number of factors, including individual market premiums, enrollment, and the age and geographic distribution of program participants. In more recent forecasts, revenues have also fluctuated based on decisions made by the federal government.

The following table illustrates changes in forecast revenues and expenditures in the BHP Trust Fund from the February 2018 forecast.

Basic Health Program Trust Fund Change in Fund Balance		
(\$ in millions)	FY 2018-19	FY 2020-21
End of Session 2018 Balance	108	86
Change in Revenues	60	(100)
Change in Expenditures	(32)	73
November 2018 Balance	200	4

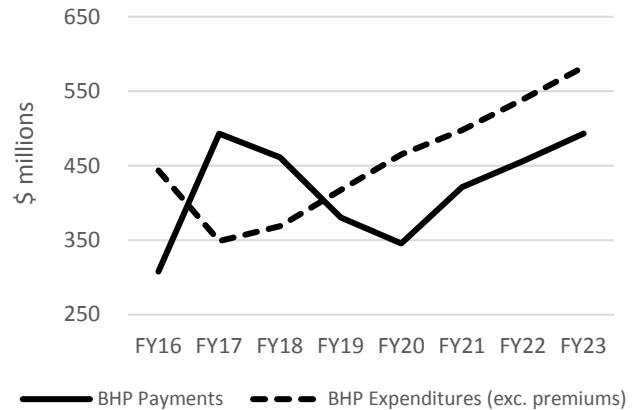
The BHP Trust Fund is forecast to have a surplus of \$200 million in FY 2019. This is an 85.2 percent increase over end of session estimates. Anticipated revenues are \$60 million higher than end of session. Expenditures are expected to be \$32 million below previous estimates due to lower average costs.

The driver of the higher revenue forecast is \$85 million in additional federal revenue resulting from a revised BHP payment methodology. In summer 2018, the federal government announced the change, which partially offsets previous revenue losses stemming from the federal government's decision to stop paying cost sharing reduction subsidies. This change is limited to payments for federal fiscal year 2018.

In FY 2021, the BHP Trust Fund balance is forecast to be \$4 million, a 95.3 percent decline from end of session estimates. Revenues for the FY 2020-21 biennium are forecast to be \$100 million lower than previous estimates. BHP expenditures are \$73 million higher than previous forecasts due to increased enrollment and a higher proportion of more expensive enrollees.

This lower revenue forecast is due to lower than expected premiums for individuals purchasing health insurance on MNsure. The previous forecast assumed that benchmark premiums would grow 5 percent from 2018 to 2019. In actuality, benchmark premiums fell about 13 percent from 2018 to 2019, which drives a reduction in anticipated revenue.

BHP Revenues and Expenditures



Planning Years In FY 2022-23, payments from the federal government will cover 79.0 percent (\$954 million) of BHP expenditures. The remaining costs are shared by enrollees in the form of premiums (\$85 million) and the health care access fund (\$168 million).

The BHP Trust Fund is projected to have a zero balance in FY 2022 and FY 2023. Due to lower individual market premiums, anticipated federal revenues are expected to be lower across the forecast horizon. As a result, the Health Care Access Fund will cover costs for these enrollees that exceed the value of the federal award.

Health Care Access Fund

November 2018

	Actual FY 18	Projected FY 19	Projected FY 20	Projected FY 21	Projected FY 22	Projected FY 23
Sources						
Balance Forward from Prior Year	712,964	690,957	666,888	591,263	48,052	(456,426)
Prior Year Adjustments	1,009	-	-	-	-	-
Adjusted balance forward	713,973	690,957	666,888	591,263	48,052	(456,426)
Revenues:						
2% Provider Tax	658,371	684,538	472,506	-	-	-
1% Gross Premium Tax	101,180	104,059	108,235	113,028	118,130	123,530
Provider and Premium Tax Refunds	(13,684)	(13,547)	(14,520)	(209)	(219)	(229)
MinnesotaCare Enrollee Premiums	36,577	37,825	39,088	40,400	41,925	43,323
Investment Income	15,591	11,550	11,040	5,820	-	-
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[368,675]	[417,391]	[464,976]	[497,594]	[460,409]	[493,186]
Federal Match on Administrative Costs	18,211	18,216	18,222	18,222	18,222	18,222
Total Revenues	816,246	842,641	634,571	177,261	178,058	184,846
Transfers In:						
General Fund: Laws of MN 2015, Ch. 71, Chronic Disease Spending Report	-	50,000	-	-	-	-
General Fund: Laws of MN 2017, Special Session, Ch. 1	-	-	7,200	-	-	-
Total Sources	1,530,219	1,583,598	1,308,659	768,524	226,110	(271,580)
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	8,989	22,660	26,772	29,526	111,465	125,549
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[368,675]	[417,391]	[464,976]	[497,594]	[460,409]	[493,186]
MinnesotaCare: State Share of Enrollee Premiums	36,390	38,025	39,088	40,400	41,925	43,323
Medical Assistance	385,159	438,848	438,848	438,848	438,848	438,848
Department of Human Services ²	32,869	35,779	35,497	35,497	35,497	35,497
Department of Health ²	35,707	41,181	36,858	36,258	36,858	36,258
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ²	61	192	128	128	128	128
Department of Revenue	1,749	1,754	1,760	1,760	1,760	1,760
Interest on Tax Refunds	165	234	390	-	-	-
Total Expenditures	503,246	580,830	581,498	584,574	668,638	683,520
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a)	122,000	122,000	122,000	122,000	-	-
Total General Fund Transfers	122,000	122,000	122,000	122,000	-	-
Special Revenue Fund: DHS Systems and Other	13,266	13,880	13,898	13,898	13,898	13,898
Premium Security Plan Account	200,750	200,000	-	-	-	-
Total Transfers Out	336,016	335,880	135,898	135,898	13,898	13,898
Total Uses	839,262	916,710	717,396	720,472	682,536	697,418
Structural Balance	(23,016)	(74,069)	(82,825)	(543,211)	(504,478)	(512,572)
Balance	690,957	666,888	591,263	48,052	(456,426)	(968,998)

¹ 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.

² FY 2019 figure includes funding carried forward from previous years.