

# Premium Security Plan Account

November 2021 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-cost 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 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 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.

## NOVEMBER 2021 FORECAST

**Revenues** –The projected balance in the fund is \$81.7 million, an increase of \$80.9 million over end of session estimates. In September 2021, the Department of Commerce was informed that Minnesota would receive an additional \$64.9 million to fund its reinsurance program, an increase over the initial \$77.8 million in passthrough funding that was communicated in April 2021, for plan year 2021. The additional funding was made available as a result of the American Rescue Plan Act (ARP). The ARP temporarily increased the value of premium tax credits for existing eligible individuals and expanded the credits to individuals with incomes greater than 400 percent of the federal poverty level. This had the effect of increasing federal revenue to the state to fund its reinsurance program.<sup>1</sup> The ARPA subsidies will remain in place through 2022, and as such, an incremental increase in passthrough funding of \$49 million is also incorporated in this forecast. Final passthrough revenue estimates for plan year 2022 have not been made available to the state to date.

**Expenditures** – Increased expenditures partially offset the increase in revenues for both plan years 2021 and 2022. This forecast assumes a 2021 program size of \$195 million, an increase of \$5 million from the previous forecast due to COVID related uncertainty and early MCHA estimates based on two quarters of health plan reporting. For plan year 2022 (payments attributed to FY 2023), expenditures are expected to be \$185 million, up \$28 million due to a projected increase in enrollment growth in the individual market.

---

<sup>1</sup> <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-MN-ARP-2021.pdf>

**PREMIUM SECURITY PLAN ACCOUNT BALANCE**

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Balance Forward From Prior Year</b>	<b>38,547</b>	<b>314,078</b>	<b>592,238</b>	<b>536,744</b>	<b>217,730</b>	<b>159,623</b>	<b>81,403</b>
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>159,623</i>	<i>81,403</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	1,039	693	423
<b>Total Sources</b>	<b>314,578</b>	<b>728,955</b>	<b>687,469</b>	<b>625,189</b>	<b>361,496</b>	<b>267,361</b>	<b>81,826</b>
MCHA Expenditures	500	592	420	249	525	558	165
Reinsurance Payments		136,125	150,305	160,210	195,400	185,400	
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		
<b>Total Uses</b>	<b>500</b>	<b>136,717</b>	<b>150,725</b>	<b>407,459</b>	<b>201,873</b>	<b>185,958</b>	<b>165</b>
<b>Balance</b>	<b>314,078</b>	<b>592,238</b>	<b>536,744</b>	<b>217,730</b>	<b>159,623</b>	<b>81,403</b>	<b>81,661</b>