

Premium Security Plan Account

November 2025 Forecast

PURPOSE OF ACCOUNT – The Premium Security Plan was established in 2017 to provide reinsurance payments to health insurers that provide coverage in the individual market. These payments offset a portion of insurers’ highest-cost claims to reduce premiums and result in more affordable health insurance for all Minnesotans with individual health insurance. The Minnesota Comprehensive Health Association (MCHA), an independent nonprofit organization, administers the program, and the Department of Commerce serves as the program’s fiscal agent.

SOURCES – Revenues to the account 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. Federal 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 fund (HCAF), and \$247 million was subsequently returned to general fund through legislative action. In 2022, the legislature authorized transfers from the general fund of \$300 million and \$229 million, in fiscal years 2023 and 2025, respectively. The 2025 legislature authorized a \$145 million transfer from the HCAF during fiscal year 2026 to pay for plan year 2026 operations. The 2025 legislature also authorized a one-time assessment on all health carriers that offer individual plans to fund reinsurance payment for plan year 2027 and to ensure MNsure’s stable operations. The assessment will occur in calendar year 2028, and beginning with taxable years after December 31, 2028, health plans are eligible for a tax credit equal to the value of the assessment.

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 include grants to MCHA for reinsurance payments and for the operational costs of the Minnesota Premium Security Plan. The legislature also directed the transfer of \$285 million from the account to the general fund in FY 2026. Starting in FY 2026, expenditures will also include transfers to MNsure, as required by Minnesota Statute 62E.25 subdivision 1(c), in amounts necessary to offset the impact reinsurance has on plan premiums in the individual market, which are MNsure’s main funding source.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS – Prior to calendar year 2023, the operation of the Premium Security Plan resulted in lower federal funding for the Basic Health Program (MinnesotaCare), which serves 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

The account ended the FY 2024-25 biennium with a balance of \$470 million, an increase of \$4 million (0.8 percent) from end-of-session estimates. This is explained by reinsurance payments in fiscal year 2025 for plan year 2024 being \$5 million less than end of session estimates.

The projected balance in the fund at the end of the FY 2026-27 biennium is negative \$22 million, a decrease of \$23 million compared to end-of-session estimates. This is explained by higher estimates of claims for plan year

2025 because of higher-than-expected actuals during the first six months of 2025. Higher claims in the current year increases the projected claims for 2026.

As plan year 2027 and related expenditures will be paid through an assessment, the balance in the account will not be changed by plan year 2027 operations. As related expenditures change, the assessment on health plans will either increase or decrease accordingly.

SOURCES – For FY 2026-27 sources are expected to be \$941 million, a \$19 million (2.1 percent) increase from prior-year-estimates due primarily to a \$4 million increase in balance forward from fiscal year 2025 and a \$15 million increase in expected revenues. Driving this increase in revenue are increases in federal payments in fiscal year 2027 due to higher enrollment than estimated in plan year 2025, which leads to additional federal pass through funding.

FY 2028-29 sources are projected to be \$384 million, up \$6 million (1.6 percent) from previous estimates. However, this change is due to higher projected assessment revenue driven by increases in projected program expenditures. The assessment revenue the state receives is the amount necessary to pay for the program costs remaining after federal funds.

USES – For FY 2026-27 expenditures and transfers out are expected to be \$963 million, a \$42 million (4.6 percent) increase from prior-year estimates. This is primarily caused by increases in reinsurance payments and the inclusion of transfers to MNsure.

The reinsurance program has seen larger a than expected increase in the number of individuals generating reinsurance claims, with a 21 percent increase over previous year for the first six months of the calendar year. This increase results in higher total projected expenditures payments to MCHA for plan year 2025 made in fiscal year 2026.

While plan year 2025 sees higher expenditures, total reinsurance claims are nearly unchanged for plan year 2026, relative to end of session estimates. Enrollment is projected to be 10 percent lower than previous estimates due to reduced marketplace participation in plan year 2026 because of the expiration of expanded premium tax credits.

In FY 2028-29 uses are projected to be \$384 million, up \$8 million (2.0 percent) from previous estimates due to higher than projected reinsurance payments and additional MNsure costs.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

2025 November Forecast

in thousands

Sources

	<u>Actuals</u> <u>FY 2025</u>	<u>Projected</u> <u>FY 2026</u>	<u>Projected</u> <u>FY 2027</u>	<u>Projected</u> <u>FY 2028</u>	<u>Projected</u> <u>FY 2029</u>
Balance Forward From Prior Year	355,662	470,152	193,108	(22,170)	(21,718)
Prior Year Adjustments					
<i>Adjusted Balance Forward</i>	<i>355,662</i>	<i>470,152</i>	<i>193,108</i>	<i>(22,170)</i>	<i>(21,718)</i>
Federal Pass-Through	129,884	179,339	118,930	118,930	
Interest Income	17,379	21,433	6,345	-	
Health Carrier Assessments	-	-	-	265,400	
Total Revenues	147,263	200,772	125,275	384,330	-
22, CH 44 -Transfers from the General Fund	229,465	-	-	-	
25, CH 4 - Transfer from the Health Care Access Fund	-	145,000	-	-	
Total Transfers	229,465	145,000	-	-	-
Total Sources	732,390	815,923	318,383	362,160	(21,718)

Uses

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
MCHA Expenditures	621	731	620	532	451
Reinsurance Payments	261,617	334,017	336,689	377,092	
Total Expenditures	262,238	334,748	337,309	377,624	451
23, CH 57 - Transfer to the General Fund	-	275,775	-	-	
24, CH 127 - Transfer to the General Fund	-	8,830	-	-	
25, CH 4 - Transfer to the MNSure Account	-	3,463	3,243	6,255	
Total Transfers	-	288,068	3,243	6,255	-
Total Uses	262,238	622,816	340,552	383,879	451
Structural Balance	114,490	(277,044)	(215,277)	451	(451)
Balance	470,152	193,108	(22,170)	(21,718)	(22,170)