

Premium Security Plan Account

Governor's Revised Recommendation March 2019

PURPOSE OF ACCOUNT – The Premium Security Program was created by the 2017 legislature to provide reinsurance payments to health insurers to help cover the cost of high claims in the individual market. These payments are intended to reduce premiums overall and to promote affordable health insurance for Minnesotans. The Minnesota Comprehensive Health Association (MCHA) is responsible for administering the program. The Department of Commerce serves as the fiscal agent for state appropriations directed to the program.

PRIMARY SOURCES – \$542 million in state resources are available to the program, including \$142 million in transfers from the General Fund and \$400.75 million in transfers from the Health Care Access Fund in FY 2018-19. In addition, \$38.7 million in FY 2017 and \$3.2 million in FY 2018 was transferred to the state treasury from the previously existing balance at MCHA. Federal funds are available through a 1332 waiver authorized in October 2017 and are estimated to total \$215 million for plan years 2018 and 2019.

PRIMARY USES – Expenditures for the program are for grants to MCHA for the operational and administrative costs and reinsurance payments related to the start-up and operation of the Minnesota Premium Security Plan. State law limits these payments to \$271 million for each of plan years 2018 and 2019. Any state funds not used for the program by June 30, 2021 are to be cancelled back to the Health Care Access Fund.¹ In this forecast expenditures for plan years 2018 and 2019 are estimated to be \$293 million and are reduced to reflect a decrease of \$247 million from prior year estimates based on initial actuals from plan year 2018. This decrease reflects a smaller individual market than what was previously estimated and a decrease in premiums.

RELATIONSHIP TO OTHER STATE PROGRAMS – The Premium Security Plan lowers the cost of health insurance on the individual market. Decreases in individual market rates reduce federal funding the state receives to fund its Basic Health Program (MinnesotaCare) for individuals at 138-200 percent of the federal poverty level. As such, the magnitude and longevity of the Premium Security Program impacts how much funding is available for MinnesotaCare. This forecast assumes a two year program.

PREMIUM SECURITY PLAN ACCOUNT BALANCE –

<i>in thousands</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Balance Forward In		38,547	314,078	593,073	594,323
Transfers from General Fund		71,000	71,000		
Transfers from Health Care Access Fund		200,000	200,000		
Transfer from HCAF - Administrative Costs		750			
MCHA Balance Transfer In	38,709	3,236			
Federal Reinsurance Payments ²	-			130,720	84,758
Interest Income	88	1,045	8,758	10,203	10,092
Total Sources	38,797	314,578	593,836	733,996	689,173
MCHA Expenditures ³	250	500	763	139,673	153,585
February 2019 Forecast Balance	38,547	314,078	593,073	594,323	535,588
Proposed Changes to Transfers Out:					
Commerce - Transfer to General Fund					142,000
Commerce - Transfer to HCAF					393,588
Balance After Governor's Recommended Changes					0

¹ Laws 2017, Chapter 13; Laws 2017, Special Session 1, Chapter 6, Article 5, Sec. 10

² Federal funding estimates were initially published in the 1332 waiver approval letter in October 2017, and were amended in December 2018. Federal payments are expected to be drawn down by the state by July 2019 for calendar year 2018 and by July 2020 for calendar year 2019.

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Approval-Letter-MN.pdf>.

³ Based upon discussions with MCHA, this statement assumes that payments to health carriers will occur in July 2019 for activity in calendar year 2018 and in July 2020 for activity in calendar year 2019. The magnitude and timing of administrative expenditures are estimates based upon MCHA's 2018 budget.