

Premium Security Plan Account

Governor's Revised Supplemental Budget Recommendation
March 2022

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 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 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 for plan years 2018-2022. Payments are determined by the U.S. Treasury Department. An initial investment \$543 million was appropriated from the state's general fund and health care access fund, 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 Plan impacts how much funding is available for MinnesotaCare. Under current law, any state funds remaining in the Premium Security Plan Account on June 30, 2024 will be returned to the health care access fund.

GOVERNOR'S RECOMMENDATION: The Governor recommends an extension of the Premium Security Plan funded through an assessment on the fully insured market. To enable this extension, the state will seek an extension of the Section 1332 waiver, which will provide an estimated additional \$77.577 million in federal funding for fiscal years 2024 and 2025. The difference between the cost of the program and federal revenues received are the state's share of the program. This recommendation pays for the state's share through an assessment levied prospectively. The assessment will be determined by the MCHA board, and this revenue will be directly received by MCHA, and will not enter the state's treasury. For informational purposes those assessment amounts are reflected on the next page but do not impact the account's balance.

The extension is contingent upon the federal government not reducing MinnesotaCare federal revenues as a result of the Premium Security Plan program. This provision ensures \$287 million in FY 2023-2025 in Basic Health Program funding is available to fund the MinnesotaCare program.

The extension of the Premium Security Plan and resulting lower health care premiums will reduce MNsure's premium withhold revenue. This recommendation provides funding to compensate for this loss. This recommendation also provides funding to the Department of Commerce to help manage the federal compliance and reporting related to operations of the Section 1332 waiver.

This recommendation also delays the transfer of the balance of the premium plan security account to the health care access fund. Current law reflects a transfer in FY 2024, after the end of the program under current law. This recommendation transfers \$67.953 million to the health care access fund in FY 2025, an increase of \$2.071 million from the January recommendation.

This recommendation has been repriced to reflect revised estimates of MNsure's revenue loss. This repricing decreases the cost of the proposal by \$2.684 million in FY 2023, and \$719,000 in FY2024-25. In the chart below,

repriced total reinsurance payments and the value of the assessment are included. These changes do not impact the statement but are included for informational purposes.

PREMIUM SECURITY PLAN ACCOUNT BALANCE

(in thousands)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Balance Forward From Prior Year	38,547	314,078	592,238	536,744	217,730	160,332	77,027	72,730
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>160,332</i>	<i>77,027</i>	<i>72,730</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	938	624	372	
<u>Governor's Recommendations:</u>								
Minnesota Premium Security Plan Extension: Reinsurance Federal Pass-Through							77,577	77,577
Total Sources	314,578	728,955	687,469	625,189	361,395	268,001	154,976	150,307
MCHA Expenditures	500	592	420	249	448	558	165	
Reinsurance Payments		136,125	150,305	160,210	194,667	188,100		
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			
<u>Governor's Recommendations:</u>								
Minnesota Premium Security Plan Extension: Reinsurance Federal Pass-Through							77,577	77,577
Minnesota Premium Security Plan Extension: MNSure & Commerce Costs						2,316	4,504	4,777
Transfer from Premium Security Plan to HCAF								67,953
Total Uses	500	136,717	150,725	407,459	201,063	190,974	82,246	150,307
Balance	314,078	592,238	536,744	217,730	160,332	77,027	72,730	0

Governor's Recommendations Impact on Minnesota Comprehensive Health Association

Revenues:

Minnesota Premium Security Plan Extension: Reinsurance Assessment [Revenue Received By MCHA] [167,101] [196,606] [229,465]

Minnesota Premium Security Plan Extension: Reinsurance Federal Pass Through [77,577] [77,577]

Expenditures:

Minnesota Premium Security Plan Extension: Reinsurance Expenditures Total Program + MCHA Admin Costs [244,678] [274,183]

Notes:

The MCHA Assessment occurs prospectively. Consequently, assessment revenues are received in the state fiscal year before being paid. The amount assessed in FY25 would not be paid by the MCHA board until FY26.