

Premium Security Plan Account

Governor's Revised Recommendations

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 and health care access funds, and \$247 million was subsequently returned to general fund through legislative action. Additional transfers from the general fund of \$300 million and \$229 million, in fiscal years 2023 and 2025, respectively, were authorized by the 2022 Legislature because of the program's extension. 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 represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan. In addition, the 2023 Legislature authorized a transfer of \$276 million to the general fund in FY 2026 while the 2024 Legislature authorized another transfer of about \$9 million to the general fund in FY 2026 as well.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS – Prior to calendar year 2023, the impact of the Premium Security plan lowering the cost of health insurance on the individual market decreased market rates used to calculate the Basic Health Program (MinnesotaCare) funding the state received for 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 Governor recommends an assessment on certain health insurance issuers in Minnesota based on their premium tax liability to fund the state's portion of the Minnesota Premium Security Plan, or reinsurance. This proposal provides an ongoing, stable funding source. The state is required to receive the federal pass through and send to the Minnesota Comprehensive Health Association (MCHA), as occurs under current law. The state's portion is expected to be \$227 million in FY2027, \$267 million in FY2028 and \$312 million in FY2029.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

2025 Governor's Revised Recommendation

\$ in thousands

	Actuals	Projected	Projected	Projected	Projected	Projected
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<u>Sources</u>						
Balance Forward From Prior Year	422,438	355,662	466,635	32,002	32,806	33,535
Prior Year Adjustments	(72)					
<i>Adjusted Balance Forward</i>	422,366	355,662	466,635	32,002	32,806	33,535
<u>Revenues</u>						
Federal Pass-Through	119,486	129,884	129,884			
Interest Income	21,103	19,480	20,427	803	730	732
Transfers from the General Fund		229,465				
<u>Governor's Rec:</u>						
Reinsurance Issuer Fee: Federal Pass Through				100,000	100,000	100,000
Total Revenues	140,589	378,829	150,311	100,803	100,730	100,732
Total Sources	562,955	734,491	616,946	132,806	133,535	134,267
<u>Uses</u>						
MCHA Expenditures	324	356	739			
Reinsurance Payments	206,969	267,500	299,600			
23, CH 57 - Transfer to the General Fund			275,775			
24, CH 127 - Transfer To General Fund			8,830			
<u>Governor's Rec:</u>						
Reinsurance Issuer Fee: Federal Pass Through to MCHA				100,000	100,000	100,000
Total Uses	207,293	267,856	584,944	100,000	100,000	100,000
Structural Balance	(66,705)	110,973	(434,633)	803	730	732
Balance	355,662	466,635	32,002	32,806	33,535	34,267

Governor's Recommendations Impact on Minnesota Comprehensive Health Association

Revenues:

Gov's Rec: Reinsurance Issuer Fee [Revenue Received By MCHA] [227,000] [267,000] [312,000]

Gov's Rec: Reinsurance Federal Pass Through [100,000] [100,000] [100,000]

Expenditures

Gov's Rec: Reinsurance Issuer Fee Reinsurance Expenditures Total Program [327,000] [367,000] [412,000]