

Health Care Access Fund

November 2019 Forecast Update

PURPOSE OF FUND The health care access fund (HCAF) was created to increase access to health care, contain health care costs, and improve the quality of health care services for Minnesotans.

PRIMARY REVENUE SOURCES Revenues to the fund come from a two percent tax on providers until December 31, 2019, a 1.8 percent tax on providers thereafter, a one percent gross premium tax, MinnesotaCare enrollee premiums, investment income earned on the balance of the fund, and federal match on administrative costs. Federal Basic Health Program (BHP) funding supports MinnesotaCare and is deposited in the federal fund in the state treasury. The BHP is a provision of the Affordable Care Act and is expected to provide \$899 million in revenue for MinnesotaCare in FY 2020-21 and \$452 million in revenue in FY 2022-23.

PRIMARY EXPENDITURES AND USES Historically, the provision of subsidized health care through MinnesotaCare has been the primary expenditure in the HCAF. After reductions in the cost of the program over recent years, MinnesotaCare (including state share of enrollee premium) is now expected to be 11.1 percent of HCAF spending in FY 2020-21.

Medical Assistance (MA) is forecast to make up 65.4 percent of HCAF spending in FY 2020-21. The portion of MA funded within the HCAF is determined by the legislature and offsets General Fund spending for the

program. In FY 2020-21, the HCAF is expected to pay for 9.7 percent of the state share for MA.

FORECAST AND FUND BALANCE CHANGES The HCAF closed FY 2019 with a balance of \$636 million, \$16 million (2.6 percent) above end of session 2019 estimates. The FY 2021 forecast balance is \$539 million, which is \$83 million (18.0 percent) higher than end of session estimates due to reduced spending for MinnesotaCare and higher anticipated revenue collections.

Tax Revenues Anticipated tax revenues are \$25 million (1.6 percent) above end of session estimates for FY 2020-21. This change is driven by increases in the provider tax due to higher expected growth rates from Global Insights and stronger first and second quarter collections in wholesale drug distributor tax than previous forecast. Stronger collections support a slight increase in trend for wholesale drug distributor tax, which increases revenues across the forecast horizon.

MinnesotaCare The state share of MinnesotaCare is forecast to be \$135 million in FY 2020-21, which is \$35 million (20.4 percent) lower compared to end of session 2019 estimates. This is the result of increased federal BHP revenue in the current biennium that reduces the need for state HCAF funding. This is further explained on the next page.

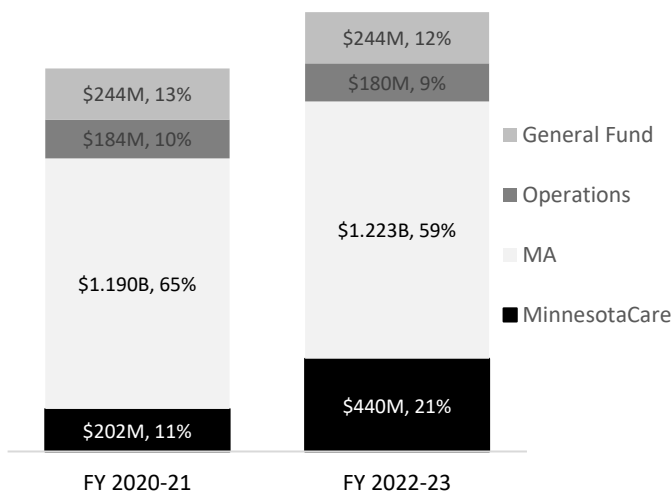
Medical Assistance This forecast recognizes no change in the health care access fund share for MA in FY 2020-21 compared to end of session forecast. The 2019 omnibus health and human services budget bill appropriated \$1.190 billion from the health care access fund share for MA for the current biennium.

Planning Years The Health Care Access Fund balance in FY 2023 is forecast to be \$280 million, an increase of \$52 million (22.8 percent) from end of session estimates.

Total revenues are expected to be \$1.828 billion in FY 2022-23, an increase \$47 million (2.7 percent) due to increases in premium tax revenue and investment earnings compared to previous forecast. This forecast recognizes investment earnings on HCAF balances after the reinstatement of the provider tax.

Expenditures in the fund are anticipated to be \$2.087 billion in FY 2022-23, an increase of \$78 million (3.9 percent) compared to end of session forecast. This is

Health Care Access Fund Uses



the result of reduced BHP federal funding as explained in the next section.

BASIC HEALTH PROGRAM TRUST FUND The Basic Health Program Trust Fund is an account in the state’s federal fund. Federal BHP payments are deposited in the account and used to fund eligible MinnesotaCare expenses. BHP revenues vary based on several factors, including individual market premiums, enrollment, and the age and geographic distribution of program participants. In more recent forecasts, revenues have also fluctuated based on decisions made by the federal government.

The following table illustrates changes in forecast revenues and expenditures in the BHP Trust Fund from the End of Session 2019 forecast.

Basic Health Program Trust Fund Change in Fund Balance		
(\$ in millions)	FY 2019-21	FY 2022-23
End of Session 2019 Balance	0	0
Change in Revenues	(65)	(196)
Change in Expenditures	(143)	(30)
November 2019 Balance	0	0

The BHP Trust Fund is projected to have a zero balance at the end of the current biennium. The state share from HCAF is \$76 million, which is a \$39 million (33.6 percent) decrease from the end of session estimates.

Changes to revenues and expenditures in the current biennium are driven by decisions by the Centers for Medicare and Medicaid (CMS). CMS published the final BHP payment methodology for CY 2019 and CY 2020 in November 2019. The new methodology allowed states to use prior year market premiums plus a trend factor in the funding formulas for CY 2019 and CY 2020, which results in higher federal reimbursements in the current biennium.

The increase in BHP revenues in FY 2020-21 are offset by \$46 million (\$30 million in FY 2022-23) due to systems issues between DHS’ claims payment system (MMIS) and the eligibility system (METS). BHP funding is provided prospectively based on projected enrollment that is later reconciled using actual enrollment data. During reconciliation, DHS must

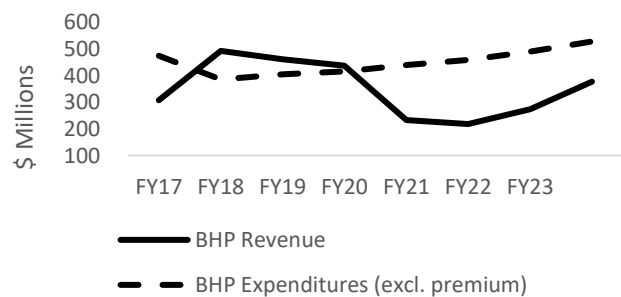
submit data on eligible enrollees in order to justify BHP payments. Due to interface issues between MMIS and METS systems, DHS cannot produce sufficient demographic information to justify reimbursement on a portion of the BHP population. The February 2019 forecast recognized a one-time \$150 million reduction in anticipated BHP payments as a result of reconciliation issues that started in CY 2015. This forecast now recognizes that the state cannot substantiate payments for five percent of the BHP population eligible in MMIS in each unreconciled calendar year through CY 2019. This assumption acknowledges the system reporting issues are not isolated to a particular calendar year and will be an ongoing cost across the forecast horizon.

Planning Years

In FY 2022-23, the BHP Trust Fund balance continues to be zero. Payments from the federal government are expected to cover 63.9 percent (\$652 million) of BHP expenditures. The remaining costs are shared by enrollees in the form of premiums (\$71 million) and the health care access fund (\$296 million).

Changes to revenues and expenditures in the next biennium are the result of two primary factors. The first is lower than expected market premiums in CY 2020 which results in lower projected federal funding in FY 2022-23. The state’s inability to justify claims on five percent of the BHP population is also expected to continue impacting FY 2022-23, resulting in a \$30 million decrease in planning estimates. These changes reduce projected federal BHP funding which increases the need for HCAF spending in FY 2022-23.

BHP Revenues and Expenditures



Health Care Access Fund

November 2019

Sources	Actual FY 18	Actual FY 19	Projected FY 20	Projected FY 21	Projected FY 22	Projected FY 23
Balance Forward from Prior Year	712,964	690,957	636,130	640,416	538,930	357,455
Prior Year Adjustments	1,009	1,517	-	-	-	-
Adjusted balance forward	713,973	692,474	636,130	640,416	538,930	357,455
Revenues:						
2% Provider Tax	658,371	687,235	701,399	689,317	725,656	764,800
1% Gross Premium Tax	101,180	100,064	105,821	110,780	116,050	121,852
Provider and Premium Tax Refunds	(13,684)	(11,851)	(13,083)	(12,576)	(13,274)	(14,033)
MinnesotaCare Enrollee Premiums	36,577	35,552	33,765	33,803	35,061	36,409
Investment Income	15,591	20,167	14,720	13,680	10,320	7,290
MinnesotaCare: Federal Basic Health Program ¹ [Non- /	[368,675]	[380,885]	[406,662]	[348,467]	[274,445]	[377,078]
Federal Match on Administrative Costs	18,211	18,738	18,978	18,768	18,773	18,773
Other	-	-	-	-	-	-
Total Revenues	816,246	849,905	861,600	853,772	892,586	935,091
Transfers In:						
General Fund: Laws of MN 2017, Special Session, Ch.	-	-	7,200	-	-	-
Total Sources	1,530,219	1,542,379	1,504,930	1,494,188	1,431,516	1,292,546
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	8,989	21,887	27,255	107,352	215,697	152,816
MinnesotaCare: Federal Basic Health Program Expenc	[368,675]	[380,885]	[406,662]	[424,947]	[455,890]	[492,064]
MinnesotaCare: State Share of Enrollee Premiums	36,390	35,081	33,765	33,803	35,061	36,409
Medical Assistance	385,159	438,848	586,959	602,583	611,178	612,099
Department of Human Services ²	32,869	32,489	35,497	34,855	34,859	34,859
Department of Health ²	35,707	37,246	40,807	36,832	37,432	36,832
University of Minnesota Legislature ²	2,157 61	2,157 64	2,157 316	2,157 -	2,157 -	2,157 -
Department of Revenue	1,749	1,754	1,760	1,760	1,760	1,760
Interest on Tax Refunds	165	142	100	18	19	20
Total Expenditures	503,246	569,668	728,616	819,360	938,163	876,952
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a)	122,000	122,000	122,000	122,000	122,000	122,000
Total General Fund Transfers	122,000	122,000	122,000	122,000	122,000	122,000
Special Revenue Fund: DHS Systems and Other	13,266	13,880	13,898	13,898	13,898	13,898
Premium Security Plan Account	200,750	200,000	-	-	-	-
Special Revenue Fund: MDH ITA Transfers		701				
Enacted Changes to Transfers Out:						
General Fund: M.S. 16A.724 Subd 2(a)	-	-	-	-	-	-
Total Transfers Out	336,016	336,581	135,898	135,898	135,898	135,898
Total Uses	839,262	906,249	864,514	955,258	1,074,061	1,012,850
Structural Balance	(23,016)	(56,344)	4,286	(101,486)	(181,475)	(77,759)
Balance	690,957	636,130	640,416	538,930	357,455	279,696

¹ Federal funding for MinnesotaCare is received through the Basic Health Program and is deposited in a Trust Fund within the state's Federal Fund for use for eligible expenditures.

² FY 2020 figure includes funding carried forward from previous years.

