

# Premium Security Plan Account

November 2019 Update

**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 directed to the program. The program was originally authorized to operate for two years (2018 and 2019). The 2019 legislature authorized a two-year extension through plan years 2020 and 2021. The projected balance in FY 2023 is \$230 million, an increase of \$21 million (10.1 percent) from the balance projected at the end of the 2019 legislative sessions. This increase is primarily due to higher projected interest earnings.

**PRIMARY SOURCES** – Approximately \$543 million was appropriated in from state sources for the program in FY 2018-19. This includes \$142 million in transfers from the general fund and about \$401 million from the health care access fund in FY 2018-19. In addition, \$39 million in FY 2017 and \$3 million in FY 2018 were transferred to the state treasury from the existing balance at MCHA. This forecast recognizes a small additional transfer from MCHA in FY 2020. Federal funds are available through a 1332 waiver authorized in October 2017 and are estimated to total \$385 million for plan years 2018 through 2021. Another revenue to the account is interest income. This forecast reflects a higher interest forecast as a result of the extension of the account in the 2019 legislative session and higher interest rates in recent months.

**PRIMARY USES** – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan. This forecast reflects slightly lower MCHA expenditures in FY 2020 relative to previous estimates. Total reinsurance payments for calendar year 2018, which are made in FY 2020, were \$136 million, 2.0 percent below the prior forecast. In addition to program spending, the 2019 legislature enacted a transfer of \$142 million from the account to the general fund. The 2019 legislature also directed another transfer to the general fund of up to \$145 million, contingent upon an analysis of projected Medical Assistance spending growth. Based on analysis by the Department of Human Services, the transfer will not occur. Any state funds remaining in the account on June 30, 2023 will be returned to the health care access fund.

**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 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 magnitude and longevity of the Premium Security Program impact how much funding is available for MinnesotaCare.

## PREMIUM SECURITY PLAN ACCOUNT BALANCE

<i>in thousands</i>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Balance Forward In</b>	38,547	314,078	597,643	603,214	402,179	325,138
Transfers from General Fund	71,000	71,000				
Transfers from Health Care Access Fund	200,750	200,000				
MCHA Balance Transfer In	3,236		141			
Federal Reinsurance Payments <sup>1</sup>			130,720	84,758	84,758	84,758
Interest Income	1,045	13,157	11,595	9,708	7,023	5,357
<b>Total Sources</b>	<b>314,578</b>	<b>598,235</b>	<b>740,099</b>	<b>697,680</b>	<b>493,960</b>	<b>415,252</b>
MCHA Expenditures <sup>2</sup>	500	592	136,886	153,501	168,822	185,632
Transfer to General Fund				142,000		
<b>Balance</b>	<b>314,078</b>	<b>597,643</b>	<b>603,214</b>	<b>402,179</b>	<b>325,138</b>	<b>229,620</b>

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<sup>1</sup> Federal funding estimates for plan years 2018 and 2019 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 in July or August for activity in the previous calendar year.

<sup>2</sup> This statement assumes that payments to health carriers will occur in July or August for activity in the previous calendar year.