

Health Care Access Fund

February 2016 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.

PRIMARY REVENUE SOURCES - Revenues to the fund come from a two percent tax on providers; a one percent gross premium tax; MinnesotaCare enrollee premiums; investment income earned on the balance of the fund; and federal match on administrative costs. In the current biennium, the fund is supported by Medicaid and Children's Health Insurance Program funds and federal Basic Health Program (BHP) funding. By fiscal year 2017, BHP funding will be the only federal revenue in the fund.

PRIMARY EXPENDITURES AND USES – Historically, the provision of subsidized health care through MinnesotaCare has been the primary expenditure in the HCAF. MinnesotaCare represents 24.0 percent and 35.3 percent of spending in FY 2016-17 and FY 2018-19, respectively. Following a significant reduction in the cost of MinnesotaCare in the November 2015 forecast, Medical Assistance became the largest expenditure in the fund. Medical Assistance makes up 53.5 and 40.0 percent of spending in FY2016-17 and FY 2018-19. Other expenditures in the fund support health care access, quality improvement initiatives, and administration.

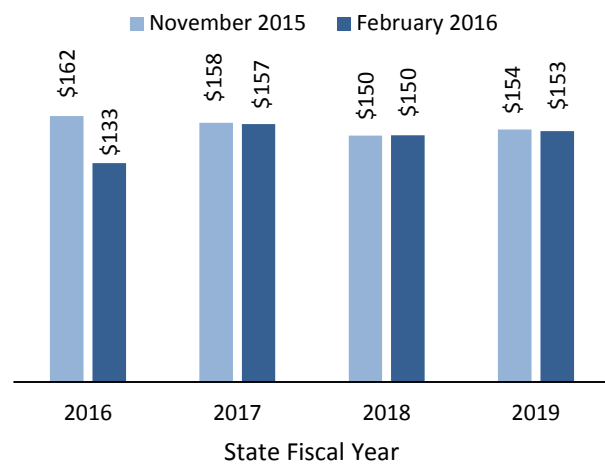
FORECAST AND FUND BALANCE CHANGES – The HCAF is projected to have a balance of \$610 million in FY 2017, and \$1.166 billion in 2019. The balance of the fund has improved in each biennium compared to the November forecast due to lower expenditures.

Relative to November estimates, net tax revenues fell by \$6 million (0.4 percent) in FY 2016-2017 and \$7 million (0.5 percent) in FY 2018-19. These small changes are the result of changes in collections and forecast growth for health care spending.

The net state cost of MinnesotaCare fell by \$29 million (9.1 percent) for FY 2016-17 and \$1 million (0.3 percent) for FY 2018-19 compared to November estimates.

MinnesotaCare –MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. MinnesotaCare spending is largely unchanged from November 2015. As shown in the figure below, the largest changes occur in FY 2016.

State Share of MinnesotaCare Expenditures
November 2015 vs. February 2016
(\$ in millions)



The overall reduction in FY 2016 is approximately \$28 million and is primarily the result of two one-time events. The first is fewer than expected capitation payments made for January coverage due in large part to the fee-for-service extensions for a portion of the MinnesotaCare population. The second event is a smaller than expected adjustment in payments to managed care organizations based on 2014 cost experience.

For FY 2017 through FY 2019, anticipated MinnesotaCare expenditures are in line with November estimates. During these years, MinnesotaCare enrollment is lower relative to November estimates. However, this reduction in enrollment also includes a change in case mix that increases the per enrollee state cost. The net result is a relatively small impact to projected state expenditures.

Health Care Access Fund

February 2016
Figures in \$ Thousands

Sources	Closing FY 14	Closing FY 15	Projected FY 16	Projected FY 17	Projected FY 18	Projected FY 19
Balance Forward from Prior Year	49,862	51,448	662,387	463,593	609,833	877,240
Prior Year Adjustments	1,908	4,926	-	-	-	-
Adjusted balance forward	51,770	56,374	662,387	463,593	609,833	877,240
Revenues:						
2% Provider Tax	538,669	573,178	599,717	630,654	664,064	698,249
1% Gross Premium Tax	73,934	83,629	90,130	93,812	97,432	100,869
Provider and Premium Tax Refunds	(13,427)	(19,468)	(16,056)	(16,251)	(17,075)	(17,999)
State Share of MnCare Enrollee Premiums	15,566	15,547	40,415	40,587	40,399	40,684
Investment Income	762	945	3,180	3,020	4,170	5,720
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[91,249]	[328,569]	[410,752]	[428,956]	[454,750]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[257,429]	[127,822]	[1,040]	-	-	-
MinnesotaCare: State Share of Other Dedicated Revenues	111	87	-	-	-	-
Federal Match on Administrative Costs	14,874	13,601	13,601	13,601	13,601	13,601
DSH Claim for Legal Non-Citizens in MinnesotaCare	-	-	-	-	-	-
Other	1	-	-	-	-	-
Total Revenues	630,492	667,519	730,988	765,423	802,591	841,123
Transfers In:						
General Fund: Laws of MN 2008, Ch 363, Art 17, Sec 1		50,000				
Transfer from General Fund		455,000				
General Fund: Medical Assistance		6,998				
Total Sources	682,262	1,235,891	1,393,375	1,229,016	1,412,423	1,718,363
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	246,899	275,004	133,293	157,054	150,144	152,718
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[91,249]	[328,569]	[410,752]	[428,956]	[454,750]
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MinnesotaCare: State Share of Other Dedicated Revenues	111	87	-	-	-	-
Medical Assistance: Laws of MN 2013 Ch 108, Art 14, Sec 2	175,744	173,879	588,190	241,150	210,233	225,042
Healthy Minnesota Contribution Program	6,949	-	-	-	-	-
Department of Human Services	28,030	31,051	33,675	35,280	33,145	33,252
Department of Health ³	25,866	36,345	36,484	33,421	34,031	33,444
University of Minnesota: MN Laws 1sp 2011 Ch 5, Sec 5	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ³	1	64	319	128	128	128
Department of Revenue	1,569	1,893	1,749	1,749	1,749	1,749
Interest on Tax Refunds	353	169	440	435	457	480
Legislative Auditor: MN Laws 2011 Ch 247, Art 6, Sec 2	33	70	-	-	-	-
Total Expenditures	503,277	536,267	836,722	511,961	472,443	489,654
Transfers Out:						
To General Fund						
Medical Assistance: M.S. 16A.724 Subd 2(a)	96,000	-	48,000	48,000	48,000	48,000
2013 MA Expansion: Laws of MN 2013 Ch 1	20,550	25,332	30,841	44,481	-	-
Total General Fund Transfers	116,550	25,332	78,841	92,481	48,000	48,000
Special Revenue Fund: DHS Systems and Other	9,987	10,905	14,219	14,741	14,741	14,741
Medical Education & Research Costs (MERC) Fund, M.S. 16A.724 Subd 2(c)	1,000	1,000	-	-	-	-
Total Transfers Out	127,537	37,237	93,060	107,222	62,741	62,741
Total Uses	630,814	573,504	929,782	619,183	535,184	552,395
Balance	51,448	662,387	463,593	609,833	877,240	1,165,968

¹ For services beginning January 1, 2015, 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 Amounts represent federal match on MinnesotaCare expenditures, which is accounted for in the state's Federal Fund.

³ FY 2016 figure includes funding carried forward from previous years.