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; 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 health coverage through MinnesotaCare. The BHP is a provision of the Affordable Care Act and is expected to pay $811 million for MinnesotaCare coverage in FY 2018-19.

PRIMARY EXPENDITURES AND USES – Historically, the provision of subsidized health care through MinnesotaCare has been the primary expenditure in the HCAF. After significant reductions in the cost of the program due to lower managed care costs and increased federal funding, MinnesotaCare is expected to be 11.6 percent of HCAF spending in FY 2018-19. Medical Assistance is forecast to make up 45.0 percent of spending in FY 2018-19. The portion of MA funded within the HCAF is determined by the legislature and offsets General Fund spending for the program. 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 $685 million in FY 2017, $1.316 billion in FY 2019, and $1.110 billion in FY 2021. The balance of the fund has fallen in each biennium compared to the November. Total revenues fell by $19 million (1.4 percent) in FY 2016-17, $42 million (2.8 percent) in FY 2018-2019, and $31 million (4.6 percent) in FY 2020-21. Total uses increased by $1 million in FY 2016-17 and fell by $2 million in FY 2018-19 and $3 million in FY 2020-21.

Almost all of the change in the fund balance is the result of lower tax revenues. Relative to November estimates, net tax revenues fell by $19 million (1.4 percent) in FY 2016-17, $42 million (2.8 percent) in FY 2018-2019, and $31 million (4.6 percent) in FY 2020-21.

The primary driver of this is lower estimated revenue from the gross premium tax. Lower actual receipts in calendar year 2016 decrease forecast revenues by $13 million (7.7 percent) in 2016-17, $23 million (12.4 percent) in FY 2018-2019, and $25 million (12.3 percent) in FY 2020-21.

Changes in estimated provider tax collections also contribute to lower revenues. Lower projected health care spending growth results in lower anticipated provider tax revenues of $5 million (0.4 percent) in 2016-17, $19 million (1.4 percent) in FY 2018-2019, and $7 million (1.3 percent) in FY 2020-21.

MinnesotaCare – MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. MinnesotaCare is forecast to cover approximately 90,000 enrollees in FY 2017. This is a 10 percent reduction from previous estimates. However, the enrollment loss occurred among individuals whose costs are fully funded by federal Basic Health Program payments, so the change does not impact the HCAF expenditure forecast.

The state cost of MinnesotaCare increased by $2 million (1.5 percent) for FY 2016-17, $5 million (26.4 percent) for FY 2018-19, and $6 million (25.9 percent) for FY 2020-21 compared to November estimates.

The increase in HCAF spending for MinnesotaCare is the result of higher enrollment of people whose coverage is fully funded by HCAF appropriations. Enrollment of individuals over 65 who do not qualify for Medicare is higher than previously forecast, increasing spending by $2 million in FY 2016-17, $3 million in FY 2018-19, and $4 million in FY 2020-21.

In addition, this forecast reflects the eligibility of Deferred Action for Childhood Arrivals grantees for MinnesotaCare. Approximately 225 grantees are expected to enroll in MinnesotaCare, which increases forecast spending by $2 million in FY 2018-19 and $2 million in FY 2020-21.
# Health Care Access Fund

**February 2017 Forecast**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Actual FY 16</th>
<th>Projected FY 17</th>
<th>Projected FY 18</th>
<th>Projected FY 19</th>
<th>Projected FY 20</th>
<th>Projected FY 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Forward from Prior Year</td>
<td>662,387</td>
<td>495,604</td>
<td>685,055</td>
<td>989,444</td>
<td>1,316,433</td>
<td>1,445,670</td>
</tr>
<tr>
<td>Prior Year Adjustments</td>
<td>10,803</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted balance forward</td>
<td>673,191</td>
<td>495,604</td>
<td>685,055</td>
<td>989,444</td>
<td>1,316,433</td>
<td>1,445,670</td>
</tr>
</tbody>
</table>

## Revenues:

2% Provider Tax                            598,544       625,711         651,640         684,265         483,965         -

1% Gross Premium Tax                        85,965        74,981          80,614          83,689          86,536          89,352

Provider and Premium Tax Refunds            (14,627)      (14,544)        (15,222)        (16,066)        (17,013)        (332)

MinnesotaCare Enrollee Premiums             29,994        44,964          43,410          43,043          42,678          43,133

Investment Income                           5,149         5,210           7,350           10,070          12,000          10,990

MinnesotaCare: Federal Basic Health Program | [334,004]     [363,651]       [399,644]       [411,176]       [423,125]       [441,464]

MinnesotaCare: Federal Medicaid Waiver      | [1,004]       -               -               -               -               -

Federal Match on Administrative Costs        12,648        12,648          12,648          12,648          12,648          12,648

**Total Revenues**                          717,672       748,970         780,440         817,649         620,814         155,791

**Total Sources**                           1,390,863     1,244,574        1,465,495        1,807,093        1,937,247        1,601,461

## Expenditures:

MinnesotaCare: Direct Appropriation         114,843       11,204           12,241           12,917           13,588           14,294

MinnesotaCare: Federal Basic Health Program | [334,004]     [363,651]       [399,644]       [411,176]       [423,125]       [441,464]

MinnesotaCare: Federal Medicaid Waiver      | [1,004]       -               -               -               -               -

Medical Assistance                          588,188       240,720         210,159         224,929         224,929         224,929

Department of Human Services               30,734        38,024           34,670           34,274           34,274           34,274

University of Minnesota                    312,534       359,904         347,066         342,479         342,479         342,479

Legislature                               30,734        38,024           34,670           34,274           34,274           34,274

Department of Revenue                      1,597         196             204             214             225             -

Interest on Tax Refunds                    432           196             204             214             225             -

**Total Expenditures**                     801,572       380,661         340,784         354,890         355,807         356,143

**Total Uses**                             895,259       559,519         476,051         490,660         491,577         491,913

## Structural Balance

(177,587) 189,451 304,389 326,989 129,237 (336,122)

**Balance**                                495,604       685,055         989,444         1,316,433        1,445,670        1,109,548

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 2017 figure includes funding carried forward from previous years.

---

February 28, 2017

($ in thousands)

Minnesota Management and Budget