

Health Care Access Fund

November 2017 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; 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 \$877 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 reductions in the cost of the program over recent years, MinnesotaCare is now expected to be 6.6 percent of HCAF spending in FY 2018-19.

program. This program is designed to stabilize premiums on the individual insurance market. In addition, \$244 million per biennium is statutorily transferred to the General Fund. 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 \$612 million in FY 2019 and \$87 million in FY 2021. The balance of the fund has improved in each biennium compared to end of session estimates. This change is the result of higher tax revenues, partially offset by higher state spending for MinnesotaCare.

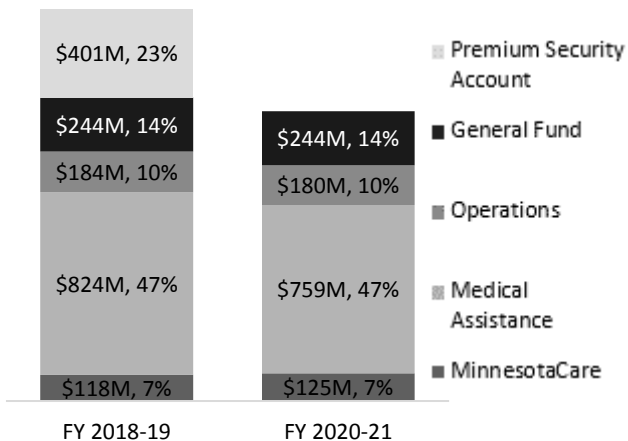
Revenues and Transfers In Total sources increased by \$76 million in FY 2018-2019, and \$7 million in FY 2020-21. Total uses increased by \$11 million in FY 2018-19 and \$33 million in FY 2020-21. Much of the change in the fund balance is the result of higher tax revenues. Relative to end of session estimates, net tax revenues increased by \$44 million (2.9 percent) in FY 2018-2019, and \$23 million (2.3 percent) in FY 2020-21.

Higher actual receipts in calendar year 2017 increase forecast premium tax revenues by \$19 million (10.2 percent) in FY 2018-2019, and \$17 million (8.8 percent) in FY 2020-21. Relative to end of session estimates, provider tax revenues are forecast to be \$27 million (2.0 percent) higher in FY 2018-2019 and \$7 million (1.3 percent) higher in FY 2020-21 due to higher collections in calendar year 2017.

Another component of higher sources in the fund is a \$50 million transfer from the General Fund. The transfer is a result of a study by the Minnesota Department of Health which found that state spending on chronic disease was less than projected.

A pending lawsuit between Walgreens Specialty Pharmacy (WSP) and the Commissioner of Revenue represents an outstanding risk to HCAF revenues. WSP argues that the Department of Revenue misapplied statute and seeks a refund of \$14 million. The case is currently in the appeals

Health Care Access Fund Uses



Medical Assistance (MA) is forecast to make up 46.6 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. In FY 2018-19, the HCAF funds 7.4 percent of MA.

In FY 2018-19, the legislature transferred \$401 million from the fund to the Premium Security Account to fund a state-based reinsurance

period. The Department of Revenue estimated that if similarly-situated taxpayers successfully brought refund claims, the total exposure could exceed \$147 million. No impacts from this lawsuit are reflected in this forecast.

MinnesotaCare MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. MinnesotaCare is expected to cover approximately 97,000 enrollees in FY 2019. Of these individuals, the costs for about 94,000 are fully covered by payments from the federal government. The remaining 3,000 are comprised of two groups: (1) elderly individuals who do not qualify for Medicare, and (2) individuals with a Deferred Action for Childhood Arrivals immigration status.

The state cost of MinnesotaCare increased by \$15 million (37.6 percent) in FY 2018-19 and \$18 million (38.8 percent) in FY 2020-21 compared to end-of-session estimates.

In FY 2018-19, MinnesotaCare enrollment is forecast to be about 10,000 people higher than end of session estimates, a more than 10 percent increase. This increase occurs across both BHP and state-only population. The increase in state-only enrollment results in a \$15 million increase in state spending in FY 2018-19 and a \$16 million increase in FY 2020-21. The enrollment growth among individuals whose costs are fully funded by federal Basic Health Program payments does not impact the HCAF expenditure forecast.

FUND OUTLOOK The provider tax sunsets on December 31, 2019. Following the sunset, the HCAF will have a structural deficit of more than \$500 million per year. Remaining revenues will not be sufficient to support existing expenditure levels beyond FY 2021.

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. The following table illustrates current forecast revenues and expenditures in the fund.

Basic Health Program Trust Fund		
Projected Balance		
(\$ in millions)	FY	FY
	2018-19	2020-21
Starting Balance	144	82
Revenues	877	1,087
Expenditures	939	1,071
Balance	82	98

BHP revenues vary based on a number of factors, including individual market premiums, enrollment, and the age and geographic distribution of program participants. Two recent changes have reduced the value of anticipated revenues into the BHP Trust Fund. However, due to a preexisting surplus in the fund, the lost revenue does not increase state costs for MinnesotaCare.

In October 2017, the federal government ceased making payments for cost-sharing reduction subsidies, reducing Minnesota's BHP payments beginning in January 2018 by \$197 million in FY 2018-19 and \$333 million in FY 2020-21. These subsidies reduce cost-sharing for low-income individuals purchasing health insurance on the individual market. They are also a component of the formula driving Minnesota's BHP payments.

In addition, the approval of Minnesota's Section 1332 waiver application to operate a reinsurance program reduces anticipated BHP payments by \$206 million in FY 2018-19 and \$71 million in FY 2020-21. By lowering premiums on the individual market, the value of subsidies someone would be eligible for declines, thus reducing BHP funding. Minnesota's 1332 waiver application requested that BHP payment calculations exclude premium reductions due to the reinsurance program. That portion of the application, however, was not approved.

Despite these reductions in federal payments, the BHP Trust Fund is forecast to have a surplus in FY 2019 and FY 2021. This money may only be used in the operation of Minnesota's BHP, MinnesotaCare.

Health Care Access Fund

November 2017

	Actual FY 16	Actual FY 17	Projected FY 18	Projected FY 19	Projected FY 20	Projected FY 21
Sources						
Balance Forward from Prior Year	662,387	495,604	712,964	648,116	612,412	610,158
Prior Year Adjustments	10,803	1,176	-	-	-	-
Adjusted balance forward	673,191	496,780	712,964	648,116	612,412	610,158
Revenues:						
2% Provider Tax	598,544	635,473	663,063	693,383	489,424	-
1% Gross Premium Tax	85,965	94,148	90,813	92,172	95,085	97,813
Provider and Premium Tax Refunds	(14,627)	(22,087)	(16,120)	(16,793)	(17,664)	(331)
MinnesotaCare Enrollee Premiums	29,994	36,003	37,987	38,719	38,843	39,622
Investment Income	5,149	7,766	7,680	6,750	6,700	3,700
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[334,004]	[348,688]	[442,770]	[496,201]	[518,583]	[530,787]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[1,004]	-	-	-	-	-
MinnesotaCare: State Share of Other Dedicated Revenues	-	52	-	-	-	-
Federal Match on Administrative Costs	12,648	10,966	10,966	10,966	10,966	10,966
Total Revenues	717,672	762,322	794,389	825,197	623,354	151,770
Transfers In:						
General Fund: Laws of MN 2015, Ch. 71, Chronic Disease Spending Report	-	-	-	50,000	-	-
General Fund: Laws of MN 2017, Special Session, Ch. 1	-	-	-	-	7,200	-
Total Sources	1,390,863	1,259,101	1,507,353	1,523,313	1,242,966	761,927
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	114,843	11,501	19,382	21,616	22,685	23,769
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[334,004]	[348,688]	[442,770]	[496,201]	[518,583]	[530,787]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[1,004]	-	-	-	-	-
MinnesotaCare: State Share of Enrollee Premiums	30,059	36,088	37,987	38,719	38,843	39,622
MinnesotaCare: State Share of Other Dedicated Revenues	-	52	-	-	-	-
Medical Assistance	588,188	240,720	385,159	438,848	358,943	399,929
Department of Human Services	30,734	35,451	36,344	35,948	35,948	35,948
Department of Health ³	33,496	37,214	40,437	36,258	36,858	36,258
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ³	67	68	313	128	128	128
Department of Revenue	1,597	1,901	1,749	1,749	1,749	1,749
Interest on Tax Refunds	432	576	372	388	407	-
Total Expenditures	801,572	365,729	523,900	575,812	497,718	539,560
Transfers Out:						
To General Fund						
Medical Assistance: M.S. 16A.724 Subd 2(a)	48,000	122,000	122,000	122,000	122,000	122,000
2013 MA Expansion: Laws of MN 2013 Ch 1	30,841	44,113	-	-	-	-
Legislature Carryforward Account: M.S. 16A.055	127	-	-	-	-	-
Total General Fund Transfers	78,968	166,113	122,000	122,000	122,000	122,000
Special Revenue Fund: DHS Systems and Other	14,219	14,295	12,587	13,090	13,090	13,090
International Med Revolving Loans: M.S. 144.1911 Subd 6	500	-	-	-	-	-
Premium Security Plan Account	-	-	200,750	200,000	-	-
Total Transfers Out	93,687	180,408	335,337	335,090	135,090	135,090
Total Uses	895,259	546,137	859,237	910,902	632,808	674,650
Structural Balance	(177,587)	216,185	(64,848)	(85,704)	(9,454)	(522,880)
Balance	495,604	712,964	648,116	612,412	610,158	87,278

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 2018 figure includes funding carried forward from previous years.

