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. Federal Basic Health Program funding supports health coverage through MinnesotaCare.

PRIMARY EXPENDITURES AND USES – The provision of subsidized health care through MinnesotaCare represents the largest expenditure in the HCAF. Other expenditures in the fund support medical assistance, health care access, quality improvement initiatives, and administration.

FORECAST AND FUND BALANCE CHANGES – The HCAF is projected to have a balance of $586 million in FY 2017 and $1.149 billion in 2019. The balance of the fund has improved in each biennium compared to end of session estimates due to lower expenditures and transfers.

Relative to end-of-session estimates, net tax revenues decreased by $16 million (1.1%) in FY 2016-17 and by $26 million (1.7%) in FY 2018-2019. This loss of revenue is offset by higher projections of federal match on administrative expenditures.

The net state cost of MinnesotaCare fell by $429 million (57.3%) for FY 2016-17 and by $482 million (61.3%) for FY 2018-19, compared to end-of-session estimates.

The HCAF appropriation for Medical Assistance is also lower than end-of-session estimates. Analysis has shown that the costs of 2013 eligibility changes are less than originally estimated. As a result, the MA appropriation is $109 million (11.6%) lower in FY 2016-17 and $94 million (17.8%) lower in 2018-19. The transfer to the General Fund for the 2013 MA expansion was also reduced by $27 million (26.8%) in FY 2016-17.

MinnesotaCare –MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. In the November forecast, average total cost of MinnesotaCare coverage for the FY 2016-17 biennium is projected to be approximately 23 percent lower than projected at the end of session. Lower projected payments to managed care organizations reduces average program cost from $537 per month to $413 per month in the FY 2016-17 biennium, as shown in the figure below. This change is the result of lower than expected utilization among MinnesotaCare enrollees in 2014 and savings from statewide competitive bidding. These changes collectively reduce the state share of MinnesotaCare by $334 million (44.6%) in 2016-17 and $378 million (48.1%) in 2018-19.

In addition, anticipated federal funding has increased significantly driven by increases to rates in the private insurance market. Net changes in federal funding further reduce the state share of MinnesotaCare by $142 million (19.0%) in FY 2016-17 and $126 million (16.1%) in FY 2018-19.

CONTINGENT PROVIDER TAX REDUCTION – The provider tax will remain two percent for tax year 2016, because the ratio of revenues to expenditures and transfers in the HCAF is less than 125 percent for the current biennium. If this projected ratio exceeded 125 percent, the provider tax rate would have been subject to downward revision (M.S. 295.52).
## Closing Sources

<table>
<thead>
<tr>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
<th>FY 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Forward from Prior Year</td>
<td>49,862</td>
<td>51,448</td>
<td>662,387</td>
<td>438,454</td>
<td>586,244</td>
</tr>
<tr>
<td>Prior Year Adjustments</td>
<td>1,908</td>
<td>4,926</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted balance forward</td>
<td>51,770</td>
<td>56,374</td>
<td>662,387</td>
<td>438,454</td>
<td>586,244</td>
</tr>
</tbody>
</table>

## Revenues:

2% Provider Tax | 538,669 | 573,178 | 603,019 | 633,615 | 667,701 | 703,211 |
1% Gross Premium Tax | 73,934 | 83,629 | 90,898 | 94,611 | 98,262 | 101,728 |
Provider and Premium Tax Refunds | (13,427) | (19,468) | (16,727) | (17,615) | (18,527) | (19,526) |
State Share of MnCare Enrollee Premiums | 15,566 | 15,547 | 39,299 | 41,493 | 41,599 | 41,993 |
Investment Income | 762 | 945 | 2,970 | 2,750 | 3,860 | 5,360 |

**MinnesotaCare:** Federal Basic Health Program 1 [Non-Add]: (91,249) (322,829) (422,221) (444,184) (471,963) |
**MinnesotaCare:** Federal Medicaid Waiver 2 [Non-Add]: (257,429) (127,822) (6,179) - - - |
**MinnesotaCare:** State Share of Other Dedicated Revenues | 111 | 87 | - | - | - | - |

**MinnesotaCare:** Federal Match on Administrative Costs | - | - | - | - | - | - |
**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** | - | - | - | - | - | - |

**Total Revenues** | 630,492 | 667,519 | 733,060 | 768,455 | 806,497 | 846,366 |

## 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 | 1,395,447 | 1,206,909 | 1,392,740 | 1,702,992 |

## Uses:

**Expenditures:**

**MinnesotaCare:** Direct Appropriation | 246,899 | 275,004 | 161,767 | 157,758 | 150,009 | 153,636 |
**MinnesotaCare:** Federal Basic Health Program 1 [Non-Add]: (91,249) (322,829) (422,221) (444,184) (471,963) |
**MinnesotaCare:** Federal Medicaid Waiver 2 [Non-Add]: (257,429) (127,822) (6,179) - - - |
**MinnesotaCare:** State Share of Enrollee Premiums | 15,566 | 15,547 | 39,299 | 41,493 | 41,599 | 41,993 |
**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** | 6,994 | - | - | - | - | - |
**Department of Human Services** | 28,030 | 31,051 | 33,675 | 35,280 | 33,145 | 33,252 |
**Department of Health** | 25,866 | 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** | 1 | 64 | 319 | 128 | 128 | 128 |
**Department of Revenue** | 1,569 | 1,749 | 1,749 | 1,749 | 1,749 |
**Interest on Tax Refunds** | 353 | 307 | 323 | 339 |
**Legislative Auditor:** MN Laws 2011 Ch 247, Art 6, Sec 2 | 33 | 307 | 323 | 339 |

**Total Expenditures** | 503,277 | 536,267 | 863,933 | 513,443 | 473,374 | 491,740 |

**Transfers Out:**

**To General Fund:**
- Medical Assistance: M.S. 16A.724 Subd 2(a): 96,000 |
- 2013 MA Expansion: Laws of MN 2013 Ch 1: 20,550 | 25,332 | 30,841 |
**Total General Fund Transfers** | 116,550 | 53,332 | 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 | 956,993 | 620,665 | 536,115 | 554,481 |

**Balance** | 51,448 | 662,387 | 438,454 | 586,244 | 856,626 | 1,148,511 |

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.