

Health Care Access Fund

November 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 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 funding supports health coverage through MinnesotaCare.

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 11.8 percent of HCAF spending in FY 2018-19. Medical Assistance is forecast to make up 44.9 percent of spending in FY2018-19. 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.

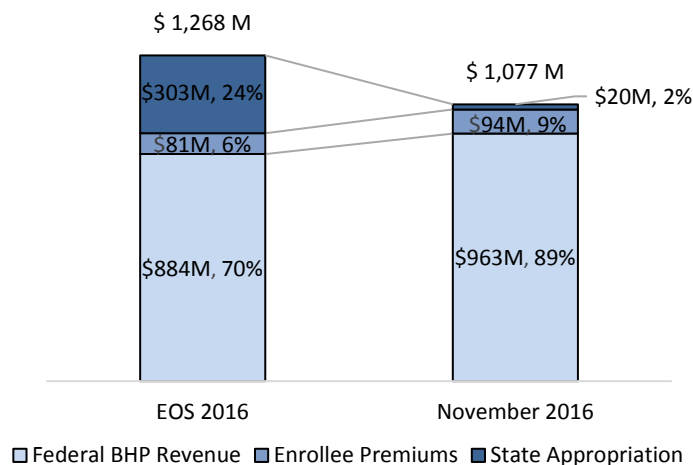
FORECAST AND FUND BALANCE CHANGES - The HCAF is projected to have a balance of \$705 million in FY 2017, up from \$533 million at the end of session, and \$1.381 billion in FY 2019, an increase from \$936 million at the end of session. Relative to end-of session estimates, net tax revenues decreased by \$7 million (0.5%) in FY 2016-17 and by \$15 million (1.0%) in FY 2018-19. The net state cost of MinnesotaCare fell by \$166 million (57.2%) for FY 2016-17 and by \$283 million (93.4%) for FY 2018-19 from end-of-session estimates.

MinnesotaCare - MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines.

Anticipated federal Basic Health Program funding has increased significantly driven by rate increases in the private insurance market. Federal funding is now expected to cover about 90 percent of program expenditures, an increase from 70 percent at the end of session. The only remaining state contribution is for a portion of the MinnesotaCare enrollees that are not

eligible for federal reimbursement. Net changes in federal funding reduce the state share of MinnesotaCare by \$112 million (38.5 percent) in FY 2016-17 and \$210 million (69.2 percent) in FY 2018-19.

FY2018-19 MinnesotaCare Spending by Source: Change from EOS Estimates



In FY2017, MinnesotaCare will have approximately 18,000 fewer enrollees than projected at the end of session. This reduction is due to program eligibility reviews in calendar year 2016 that resulted in the removal of individuals from the program. These changes are expected to persist throughout the forecast horizon and reduce forecast spending by \$33 million (11.2 percent) in 2016-17 and \$56 million (18.6 percent) in 2018-19.

CONTINGENT PROVIDER TAX REDUCTION - The provider tax will remain two percent for tax year 2017 because the ratio of revenues to uses 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.

PLANNING YEARS - The two percent tax on providers, the primary source of revenue into the fund, expires on December 31, 2019. Forecast revenues are \$835 million (50.9 percent) lower in the FY2020-2021 biennium than the FY2018-19 biennium. Despite this reduction in revenues, the fund is projected to have a balance of \$1.210 billion at the end of FY 2021 due to large accumulated balance prior to the tax expiration.



Health Care Access Fund

November 2016

(\$ in Thousands)

	Actual FY 16	Projected FY 17	Projected FY 18	Projected FY 19	Projected FY 20	Projected FY 21
Sources						
Balance Forward from Prior Year	662,387	495,604	704,986	1,031,696	1,381,973	1,531,653
Prior Year Adjustments	10,803	-	-	-	-	-
Adjusted balance forward	673,191	495,604	704,986	1,031,696	1,381,973	1,531,653
Revenues:						
2% Provider Tax	598,544	631,168	660,927	694,146	490,525	-
1% Gross Premium Tax	85,965	88,454	92,005	95,515	98,764	101,978
Provider and Premium Tax Refunds	(14,627)	(14,735)	(15,437)	(16,284)	(17,212)	(379)
MinnesotaCare Enrollee Premiums	29,994	45,690	47,497	46,560	46,946	47,453
Investment Income	5,149	4,630	6,670	9,230	11,090	10,350
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[334,004]	[425,157]	[473,018]	[490,476]	[511,340]	[534,019]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[1,004]	-	-	-	-	-
Federal Match on Administrative Costs	12,648	12,648	12,648	12,648	12,648	12,648
Total Revenues	717,672	767,854	804,310	841,814	642,761	172,050
Total Sources	1,390,863	1,263,458	1,509,296	1,873,510	2,024,734	1,703,704
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	114,843	9,394	9,665	10,238	10,783	11,360
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[334,004]	[425,157]	[473,018]	[490,476]	[511,340]	[534,019]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[1,004]	-	-	-	-	-
MinnesotaCare: State Share of Enrollee Premiums	30,059	45,692	47,497	46,560	46,946	47,453
Medical Assistance	588,188	240,720	210,159	224,929	224,929	224,929
Department of Human Services ³	30,734	38,024	34,670	34,274	34,274	34,274
Department of Health ³	33,496	41,242	36,066	35,479	36,079	35,479
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ³	67	253	128	128	128	128
Department of Revenue ³	1,597	1,901	1,749	1,749	1,749	1,749
Interest on Tax Refunds	432	231	242	253	266	-
Total Expenditures	801,572	379,614	342,333	355,767	357,311	357,529
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	12,745	13,267	13,770	13,770	13,770
International Med Revolving Loans: M.S. 144.1911 Subd 6	500	-	-	-	-	-
Total Transfers Out	93,687	178,858	135,267	135,770	135,770	135,770
Total Uses	895,259	558,472	477,600	491,537	493,081	493,299
Structural Balance	(177,587)	209,383	326,709	350,278	149,680	(321,249)
Balance	495,604	704,986	1,031,696	1,381,973	1,531,653	1,210,404

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.

