

Premium Security Plan Account

Governor's Supplemental Budget Recommendation, March 2018

PURPOSE OF ACCOUNT – The Premium Security Program was created by the 2017 legislature to provide reinsurance payments to health insurers to help cover the cost of high claims in the individual market. These payments are intended to reduce premiums overall and to promote affordable health insurance for Minnesotans. The Minnesota Comprehensive Health Association (MCHA) is responsible for administering the program. The Department of Commerce serves as the fiscal agent for state appropriations directed to the program.

PRIMARY SOURCES – \$542 million in state resources are appropriated to the program, including \$142 million in transfers from the General Fund and \$400.75 million in transfers from the Health Care Access Fund in FY 2018-19. In addition, \$38.7 million in FY 2017 and \$2.9 million in FY 2018 was transferred to the state treasury from the previously existing balance at MCHA. Federal funds estimated to be \$315 million in 2018 and 2019 are available through a 1332 waiver authorized in October 2017.

PRIMARY USES – Expenditures for the program are for grants to MCHA for the operational and administrative costs and reinsurance payments related to the start-up and operation of the Minnesota Premium Security Plan. State law limits these payments to \$271 million for each of plan years 2018 and 2019. Any state funds not used for the program by June 30, 2021 are to be cancelled back to the Health Care Access Fund.¹

RELATIONSHIP TO OTHER STATE PROGRAMS – The Premium Security Plan lowers the cost of health insurance on the individual market. Decreases in individual market rates reduce federal funding the state receives to fund its Basic Health Program (MinnesotaCare) for individuals at 138-200 percent of the federal poverty level. As such, the magnitude and longevity of the Premium Security Program impacts how much funding is available for MinnesotaCare. This forecast assumes a two year program.

PREMIUM SECURITY PLAN ACCOUNT BALANCE –

<i>in thousands</i>	FY2017	FY2018	FY2019	FY2020	FY2021
Balance Forward In		38,547	446,037	908,128	474,571
Transfers from General Fund		71,000	71,000		
Transfers from Health Care Access Fund		200,000	200,000		
Transfer from HCAF - Administrative Costs		750			
MCHA Balance Transfer In	38,709	2,900			
Federal Reinsurance Payments ²		130,720	183,930		
Investment Income	89	2,835	7,924	9,099	6,026
Total Sources	38,797	446,753	908,891	917,227	480,597
MCHA Expenditures ³	250	715	763	270,328	269,944
3-18 Gov Rec - Transfer to General Fund				130,720	
3-18 Gov Rec - Transfer to DHS MNCare Buy-In				41,609	
Total Uses	250	715	763	442,656	269,944
Balance	38,547	446,037	908,128	474,571	210,654

¹ Laws 2017, Chapter 13; Laws 2017, Special Session 1, Chapter 6, Article 5, Sec. 10

² Federal funding estimates were initially published in the 1332 waiver approval letter in October 2017, and were amended in January 2018. Federal payments are expected to be paid to the state by April 2018 for calendar year 2018 and by April 2019 for calendar year 2019.

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Approval-Letter-MN.pdf>, <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-MN-pass-through-Rothman-180126.pdf>.

³ Based upon discussions with MCHA, this statement assumes that payments to health carriers will occur in August 2019 for activity in calendar year 2018 and in August 2020 for activity in calendar year 2019. The magnitude and timing of administrative expenditures are estimates based upon MCHA's 2018 budget.