

# Premium Security Plan Account

November 2017 Forecast

**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 available 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, a balance of \$38.7 million from the previously existing MCHA was transferred to the state treasury in FY 2017. Finally, federal funds estimated to be \$323 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.<sup>1</sup>

## PREMIUM SECURITY PLAN ACCOUNT BALANCE –

| <i>in thousands</i>                       | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> |
|---|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In                        |                | 38,709         | 452,090        | 913,936        | 652,829        |
| 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         |                |                |                |                |
| Federal Reinsurance Payments <sup>2</sup> |                | 139,248        | 183,930        |                |                |
| Interest Income                           |                | 2,773          | 7,686          | 8,733          | 5,660          |
| <b>Total Sources</b>                      | <b>38,709</b>  | <b>452,479</b> | <b>914,706</b> | <b>922,670</b> | <b>658,489</b> |
| MCHA Expenditures <sup>3</sup>            |                | 389            | 770            | 269,841        | 271,000        |
| <b>Balance</b>                            | <b>38,709</b>  | <b>452,090</b> | <b>913,936</b> | <b>652,829</b> | <b>387,489</b> |

<sup>1</sup> Laws 2017, Chapter 13; Laws 2017, Special Session 1, Chapter 6, Article 5, Sec. 10

<sup>2</sup> Estimated federal payment estimates included were published in the 1332 waiver approval letter dated 10/19/2017.

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Approval-Letter-MN.pdf>. 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.

<sup>3</sup> 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.