

Health Care Access Fund

November 2013 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.

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. Currently, federal Medicaid and Children's Health Insurance Program funds are used to support eligible activities. Beginning in 2015, federal Basic Health Program funding will support health coverage through MinnesotaCare.

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

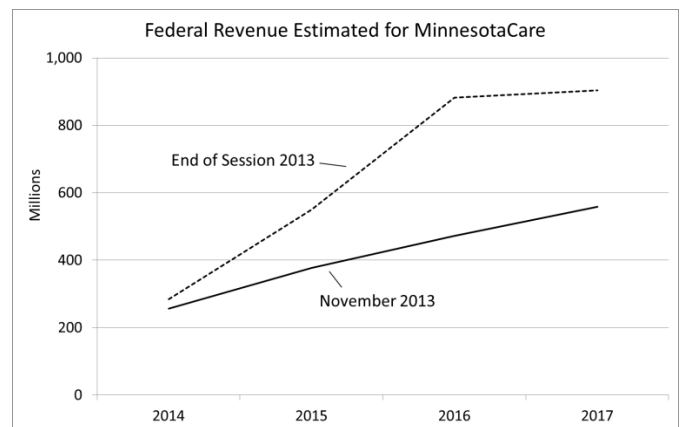
FORECAST AND FUND BALANCE CHANGES – Relative to end-of session estimates, net tax revenues decreased by \$2 million for FY 2014-15 and by \$12 million for FY 2016-2017.

The net state cost of MinnesotaCare increased by \$14 million for FY 2014-15 and by \$517 million for FY 2016-17, compared to end-of-session estimates. Federal funding for MinnesotaCare is projected to be lower than previously expected, which results in higher projected expenditures from HCAF. All other uses of the fund are established through direct appropriation and remain unchanged from the end of the 2013 legislative session.

The HCAF is projected to have a balance of \$26 million in FY 2015, and a deficit of \$362 million in FY 2017.

MinnesotaCare – In 2014 MinnesotaCare will provide health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. Under the new federal payment model that begins in 2015, MinnesotaCare will no longer receive federal funding in the form of a percentage expenditure match. Instead, the federal contribution

will be a per person amount based on the subsidies that MinnesotaCare participants would have otherwise been eligible for through the state's health insurance marketplace (MNsure). The amount of these subsidies is derived from the cost of benchmark health insurance plans offered through MNsure. For 2014, Minnesota's benchmark rates are significantly lower than anticipated, resulting in less federal revenue than previously estimated. This update has a fiscal impact for the current biennium (during which the Basic Health Program will only be in effect for last six months) as well as the upcoming biennium, as reflected in the following chart.



For 2014-2015 and 2016-2017, changes in estimated enrollment and average enrollee costs partially offset each other. For both biennia, enrollment is projected to increase at a slower rate than previously anticipated and average enrollee costs are higher than previously estimated.

Estimates of MinnesotaCare revenues and expenditures will continue to be updated with each forecast to reflect forthcoming information on federal payments and subsequent experience implementing the program.

CONTINGENT PROVIDER TAX REDUCTION – The provider tax will remain two percent for tax year 2014, because the ratio of resources 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 (Minnesota Laws 2011, Special Session 1, Chapter 9, Article 6, Section 83).

Health Care Access Fund

November 2013 Forecast
 Figures in \$ Thousands

Sources	Closing FY 13	Projected FY 14	Projected FY 15	Projected FY 16	Projected FY 17
Balance Forward from Prior Year	111,546	49,862	14,104	26,046	(177,181)
Prior Year Adjustments	4,120	-	-	-	-
Adjusted balance forward	115,666	49,862	14,104	26,046	(177,181)
Revenues:					
2% Provider Tax	526,248	545,654	575,423	612,407	654,455
1% Gross Premium Tax	70,163	73,408	77,613	82,059	86,502
Provider and Premium Tax Refunds	(12,484)	(16,376)	(17,343)	(18,492)	(19,762)
State Share of MnCare Enrollee Premiums	[5,639]	21,838	33,539	53,664	58,789
Investment Income	1,126	150	90	-	-
Federal Basic Health Program Payments ¹	-	-	197,656	454,223	558,888
Federal Medicaid and S-CHIP Offsets ² [Non-Add]	[278,513]	[256,077]	[179,826]	[18,527]	-
Federal Match on Administrative Costs	10,942	10,285	8,206	-	-
Managed Care Organization Excess Profits	8,175	-	-	-	-
DSH Claim for Legal Non-Citizens in MinnesotaCare	-	1,600	600	-	-
Total Revenues	604,170	636,558	875,785	1,183,859	1,338,872
Transfers In:					
Electronic Health Records Revolving Loan Fund	1,200	-	-	-	-
Total Sources	721,037	686,420	889,889	1,209,906	1,161,692
Uses					
Expenditures:					
MinnesotaCare: Direct Appropriation	278,601	267,344	287,004	314,355	334,596
MinnesotaCare: Federal Basic Health Program	-	-	197,656	454,223	558,888
Medical Assistance: Laws of MN 2013 Ch 108, Art 14, Sec 2 ³	-	179,550	226,050	424,262	424,707
Healthy Minnesota Contribution Program	3,651	5,165	-	-	-
State Share of MnCare Enrollee Premiums	[5,639]	21,838	33,539	53,664	58,789
Department of Human Services	28,334	33,864	36,386	42,789	41,324
Department of Health ⁴	12,639	33,173	29,143	29,743	29,143
Legislature	-	128	128	128	128
Department of Revenue	1,410	1,749	1,749	1,749	1,749
Interest on Tax Refunds	457	335	353	375	399
Total Expenditures	325,090	543,145	812,008	1,321,287	1,449,724
Transfers Out:					
To General Fund					
Medical Assistance: M.S. 16A.724 Subd 2(a)	48,000	96,000	-	-	-
2011 MA Expansion: Laws of MN 1sp 2010 Ch 1, Art 25	286,150	-	-	-	-
2013 MA Expansion: Laws of MN 2013 Ch 1 ⁵	-	21,319	39,983	54,947	63,451
University of Minnesota: MN Laws 1sp 2011 Ch 5, Sec 5	2,157	2,157	2,157	2,157	2,157
Legislature: MN Laws 1sp 2011 Ch 10, Art 1, Sec 1	128	-	-	-	-
Other	854	-	-	-	-
Total General Fund Transfers	337,289	119,476	42,140	57,104	65,608
Special Revenue Fund: MAXIS/MMIS and Other	8,795	8,695	8,695	8,695	8,695
Medical Education & Research Costs (MERC) Fund, M.S. 16A.724 Subd 2(a)	-	1,000	1,000	-	-
Total Transfers Out	346,084	129,171	51,835	65,799	74,303
Total Uses	671,174	672,316	863,843	1,387,086	1,524,027
Balance	49,862	14,104	26,046	(177,181)	(362,335)

¹ Beginning January 1, 2015, federal funding for MinnesotaCare will be received through the Basic Health Program and will be deposited in the Health Care Access Fund for use on eligible expenditures.

² Amounts represent federal match on MinnesotaCare expenditures, which is accounted for in the federal fund in the state treasury.

³ Reflects adjustments made pursuant to the legislative intent of Laws 2013, Chapter 108, Article 14, Section 12. Absent a statutory change codifying legislative intent, appropriations will be reduced to zero for affected years.

⁴ FY 2014 figure includes funding carried forward from FY 2013.

⁵ Reflects adjustments made pursuant to the legislative intent of Laws 2013, Chapter 108, Article 6, Section 32. Absent a statutory change codifying legislative intent, transfers will be reduced to zero for affected years.