

Health Care Access Fund

February 2017 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 (BHP) funding supports health coverage through MinnesotaCare. The BHP is a provision of the Affordable Care Act and is expected to pay \$811 million for MinnesotaCare coverage in FY 2018-19.

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 11.6 percent of HCAF spending in FY 2018-19. Medical Assistance is forecast to make up 45.0 percent of spending in FY 2018-19. 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 \$685 million in FY 2017, \$1.316 billion in FY 2019, and \$1.110 billion in FY 2021. The balance of the fund has fallen in each biennium compared to the November. Total revenues fell by \$19 million (1.4 percent) in FY 2016-17, \$42 million (2.8 percent) in FY 2018-2019, and \$31 million (4.6 percent) in FY 2020-21. Total uses increased by \$1 million in FY 2016-17 and fell by \$2 million in FY 2018-19 and \$3 million in FY 2020-21.

Almost all of the change in the fund balance is the result of lower tax revenues. Relative to November estimates, net tax revenues fell by \$19 million (1.4 percent) in FY 2016-17, \$42 million (2.8 percent) in FY 2018-2019, and \$31 million (4.6 percent) in FY 2020-21.

The primary driver of this is lower estimated revenue from the gross premium tax. Lower actual receipts in calendar year 2016 decrease forecast revenues by \$13 million (7.7 percent) in 2016-17, \$23 million (12.4 percent) in FY 2018-2019, and \$25 million (12.3 percent) in FY 2020-21.

Changes in estimated provider tax collections also contribute to lower revenues. Lower projected health care spending growth results in lower anticipated provider tax revenues of \$5 million (0.4 percent) in 2016-17, \$19 million (1.4 percent) in FY 2018-2019, and \$7 million (1.3 percent) in FY 2020-21.

MinnesotaCare –MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. MinnesotaCare is forecast to cover approximately 90,000 enrollees in FY 2017. This is a 10 percent reduction from previous estimates. However, the enrollment loss occurred among individuals whose costs are fully funded by federal Basic Health Program payments, so the change does not impact the HCAF expenditure forecast.

The state cost of MinnesotaCare increased by \$2 million (1.5 percent) for FY 2016-17, \$5 million (26.4 percent) for FY 2018-19, and \$6 million (25.9 percent) for FY 2020-21 compared to November estimates.

The increase in HCAF spending for MinnesotaCare is the result of higher enrollment of people whose coverage is fully funded by HCAF appropriations. Enrollment of individuals over 65 who do not qualify for Medicare is higher than previously forecast, increasing spending by \$2 million in FY 2016-17, \$3 million in FY 2018-19, and \$4 million in FY 2020-21.

In addition, this forecast reflects the eligibility of Deferred Action for Childhood Arrivals grantees for MinnesotaCare. Approximately 225 grantees are expected to enroll in MinnesotaCare, which increases forecast spending by \$2 million in FY 2018-19 and \$2 million in FY 2020-21.

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	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	685,055	989,444	1,316,433	1,445,670
Prior Year Adjustments	10,803	-	-	-	-	-
Adjusted balance forward	673,191	495,604	685,055	989,444	1,316,433	1,445,670
Revenues:						
2% Provider Tax	598,544	625,711	651,640	684,265	483,965	-
1% Gross Premium Tax	85,965	74,981	80,614	83,689	86,536	89,352
Provider and Premium Tax Refunds	(14,627)	(14,544)	(15,222)	(16,066)	(17,013)	(332)
MinnesotaCare Enrollee Premiums	29,994	44,964	43,410	43,043	42,678	43,133
Investment Income	5,149	5,210	7,350	10,070	12,000	10,990
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[334,004]	[363,651]	[399,644]	[411,176]	[423,125]	[441,464]
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	748,970	780,440	817,649	620,814	155,791
Total Sources	1,390,863	1,244,574	1,465,495	1,807,093	1,937,247	1,601,461
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	114,843	11,204	12,241	12,917	13,588	14,294
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[334,004]	[363,651]	[399,644]	[411,176]	[423,125]	[441,464]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[1,004]	-	-	-	-	-
MinnesotaCare: State Share of Enrollee Premiums	30,059	44,964	43,410	43,043	42,678	43,133
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	196	204	214	225	-
Total Expenditures	801,572	380,661	340,784	354,890	355,807	356,143
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	559,519	476,051	490,660	491,577	491,913
Structural Balance	(177,587)	189,451	304,389	326,989	129,237	(336,122)
Balance	495,604	685,055	989,444	1,316,433	1,445,670	1,109,548

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.