

Health Care Access Fund

February 2014 Forecast Update

PURPOSE OF FUND - The health care access fund (HCAF) was created to increase access to health care, improve health care services, and contain costs.

PRIMARY REVENUE SOURCES - Revenues to the fund come from a two percent tax on providers; a one percent gross premium tax; MinnesotaCare enrollee premiums; and federal funding. 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 and Medical Assistance represents the majority of expenditures. Other expenditures support health care access, quality improvement initiatives, and administration.

FORECAST AND FUND BALANCE CHANGES –

Relative to November 2013 estimates, projected net tax revenues decreased by \$0.6 million for FY 2014-2015 and by \$0.2 million for FY 2016-2017.

The net state cost of MinnesotaCare increased by \$46 million for FY 2014-15 and by \$300 million for FY 2016-17. This projected increase in state costs results from lower estimated federal funding and higher estimated per enrollee costs.

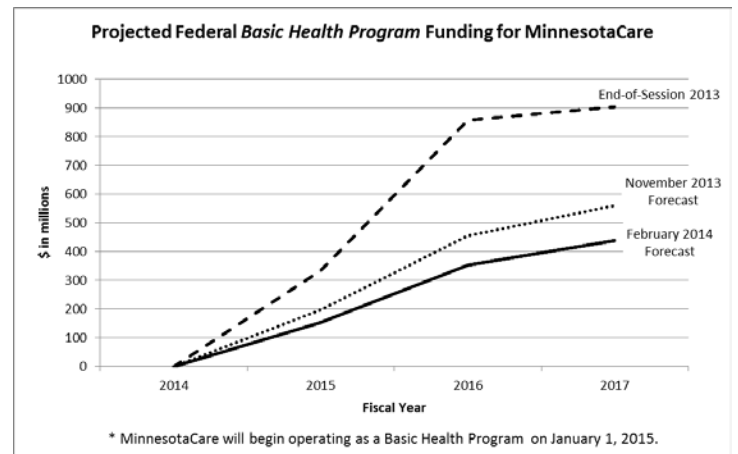
In December 2013, the Minnesota Department of Health reported that by 2011 the state achieved more than \$50 million in health care savings attributable to state-administered programs. This development triggers a \$50 million transfer from the General Fund to the HCAF in FY 2015, which constitutes repayment of a transfer of the same amount in FY 2009.

Other uses of the fund remain largely unchanged from the November 2013 forecast.

The HCAF is projected to have a balance of \$38 million in FY 2015, and a deficit of \$647 million in FY 2017.

MinnesotaCare –MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. Beginning in 2015, the federal payment methodology for MinnesotaCare will change. The federal government recently released details of the proposed new methodology. Under this proposal,

federal support for MinnesotaCare would be \$44 million less than previously estimated for FY 2014-2015 and \$222 million less for FY 2016-2017, which would result in increased costs for the state. The following figure summarizes changes in projected Basic Health Program funding for MinnesotaCare since the end of the 2013 legislative session.



State costs are projected to increase further as a result of higher average enrollee costs than previously estimated. The updated per enrollee cost estimates are informed by actual costs experienced through January 2014.

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.

Medical Assistance – Effective January 2014, certain income groups that were previously served through MinnesotaCare became eligible for Medical Assistance. As part of this change, the legislature expanded HCAF support for Medical Assistance. Consistent with the approach taken at the end of the 2013 legislative session and in the November 2013 forecast, projected HCAF spending on Medical Assistance is based on legislative intent established during the 2013 session. However, absent further legislative action confirming this intent, Medical Assistance costs in the following amounts would be shifted from HCAF to the General Fund: \$460 million for FY 2014-2015; \$900 million for FY 2016-2017. This cost shift would occur pursuant to Laws 2013, Chapter 108, Article 14, Section 2, Subd. 5(g) and Section 12(c), and Article 6, Section 32(d) respectively.

Health Care Access Fund

February 2014 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	26,778	37,791	(295,813)
Prior Year Adjustments	4,120	-	-	-	-
Adjusted balance forward	115,666	49,862	26,778	37,791	(295,813)
Revenues:					
2% Provider Tax	526,248	544,794	574,904	611,260	653,087
1% Gross Premium Tax	70,163	71,519	76,386	80,762	85,134
Provider and Premium Tax Refunds	(12,484)	(13,744)	(14,898)	(15,881)	(16,950)
State Share of MnCare Enrollee Premiums	[5,639]	22,032	34,057	54,468	59,593
Investment Income	1,126	180	150	-	-
Federal Basic Health Program Payments ¹	-	-	153,790	353,388	437,422
Federal Medicaid Waiver ² [Non-Add]	[278,513]	[247,533]	[182,270]	[20,276]	-
Federal Match on Administrative Costs	10,942	10,941	8,206	-	-
Managed Care Organization Excess Profits	8,175	-	-	-	-
DSH Claim for Legal Non-Citizens in MinnesotaCare	-	1,600	600	-	-
Total Revenues	604,170	637,322	833,194	1,083,996	1,218,287
Transfers In:					
Electronic Health Records Revolving Loan Fund	1,200	-	-	-	-
General Fund: Laws of MN 2008, Ch 363, Art 17, Sec 1	-	-	50,000	-	-
Total Sources	721,037	687,184	909,972	1,121,787	922,473
Uses					
Expenditures:					
MinnesotaCare: Direct Appropriation	278,601	256,814	343,624	450,174	498,508
MinnesotaCare: Federal Basic Health Program	-	-	153,790	353,388	437,422
Medical Assistance: Laws of MN 2013 Ch 108, Art 14, Sec 2 ³	-	177,855	221,035	419,938	425,694
Healthy Minnesota Contribution Program	3,651	6,055	-	-	-
State Share of MnCare Enrollee Premiums	[5,639]	22,032	34,057	54,468	59,593
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	532,005	820,264	1,352,751	1,493,961
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	-	20,550	40,065	53,997	64,683
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	118,707	42,222	56,154	66,840
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(c)	-	1,000	1,000	-	-
Total Transfers Out	346,084	128,402	51,917	64,849	75,535
Total Uses	671,174	660,407	872,181	1,417,600	1,569,496
Balance	49,862	26,778	37,791	(295,813)	(647,022)

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 for eligible expenditures.

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

³ Reflects funding levels pursuant to the legislative intent of Laws 2013, Chapter 108, Article 14, Sections 1 and 12. Absent a statutory change codifying legislative intent, costs in the following amounts would be shifted to the General Fund: \$399 million for FY 2014-2015; \$846 million for FY 2016-2017. These costs are in addition to the costs referenced in footnote 5.

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, costs in the following amounts would be shifted to the General Fund: \$61 million for FY 2014-2015; \$54 million for FY 2016-2017. These costs are in addition to the costs referenced in footnote 3.