

Health Care Access Fund

November 2015 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. Federal Basic Health Program funding supports health coverage through MinnesotaCare.

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

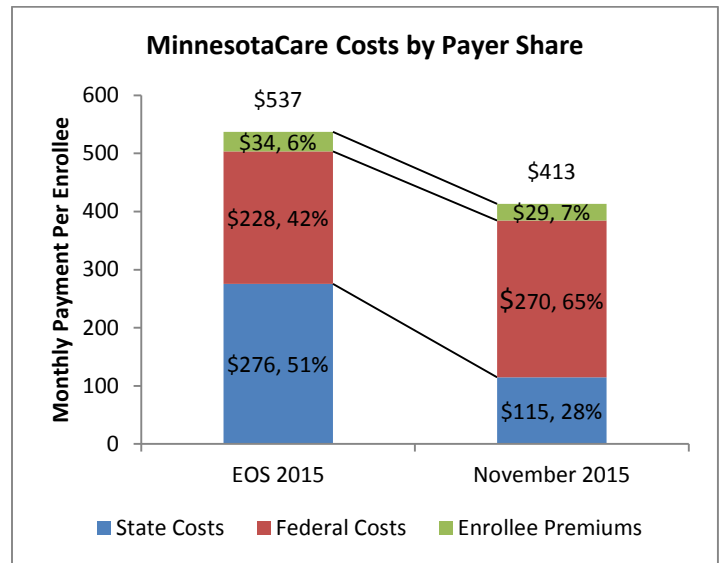
FORECAST AND FUND BALANCE CHANGES – The HCAF is projected to have a balance of \$586 million in FY 2017 and \$1.149 billion in 2019. The balance of the fund has improved in each biennium compared to end of session estimates due to lower expenditures and transfers.

Relative to end-of-session estimates, net tax revenues decreased by \$16 million (1.1%) in FY 2016-17 and by \$26 million (1.7%) in FY 2018-2019. This loss of revenue is offset by higher projections of federal match on administrative expenditures.

The net state cost of MinnesotaCare fell by \$429 million (57.3%) for FY 2016-17 and by \$482 million (61.3%) for FY 2018-19, compared to end-of-session estimates.

The HCAF appropriation for Medical Assistance is also lower than end-of-session estimates. Analysis has shown that the costs of 2013 eligibility changes are less than originally estimated. As a result, the MA appropriation is \$109 million (11.6%) lower in FY 2016-17 and \$94 million (17.8%) lower in 2018-19. The transfer to the General Fund for the 2013 MA expansion was also reduced by \$27 million (26.8%) in FY 2016-17.

MinnesotaCare –MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. In the November forecast, average total cost of MinnesotaCare coverage for the FY 2016-17 biennium is projected to be approximately 23 percent lower than projected at the end of session. Lower projected payments to managed care organizations reduces average program cost from \$537 per month to \$413 per month in the FY 2016-17 biennium, as shown in the figure below. This change is the result of lower than expected utilization among MinnesotaCare enrollees in 2014 and savings from statewide competitive bidding. These changes collectively reduce the state share of MinnesotaCare by \$334 million (44.6 %) in 2016-17 and \$378 million (48.1%) in 2018-19.



In addition, anticipated federal funding has increased significantly driven by increases to rates in the private insurance market. Net changes in federal funding further reduce the state share of MinnesotaCare by \$142 million (19.0%) in FY 2016-17 and \$126 million (16.1%) in FY 2018-19.

CONTINGENT PROVIDER TAX REDUCTION –

The provider tax will remain two percent for tax year 2016, because the ratio of revenues to expenditures and transfers 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 (M.S. 295.52).

Health Care Access Fund

November 2015
Figures in \$ Thousands

Sources	Closing FY 14	Closing FY 15	Projected FY 16	Projected FY 17	Projected FY 18	Projected FY 19
Balance Forward from Prior Year	49,862	51,448	662,387	438,454	586,244	856,626
Prior Year Adjustments	1,908	4,926	-	-	-	-
Adjusted balance forward	51,770	56,374	662,387	438,454	586,244	856,626
Revenues:						
2% Provider Tax	538,669	573,178	603,019	633,615	667,701	703,211
1% Gross Premium Tax	73,934	83,629	90,898	94,611	98,262	101,728
Provider and Premium Tax Refunds	(13,427)	(19,468)	(16,727)	(17,615)	(18,527)	(19,526)
State Share of MnCare Enrollee Premiums	15,566	15,547	39,299	41,493	41,599	41,993
Investment Income	762	945	2,970	2,750	3,860	5,360
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[91,249]	[322,829]	[422,221]	[444,184]	[471,963]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[257,429]	[127,822]	[6,179]	-	-	-
MinnesotaCare: State Share of Other Dedicated Revenues	111	87	-	-	-	-
Federal Match on Administrative Costs	14,874	13,601	13,601	13,601	13,601	13,601
DSH Claim for Legal Non-Citizens in MinnesotaCare	-	-	-	-	-	-
Other	1	-	-	-	-	-
Total Revenues	630,492	667,519	733,060	768,455	806,497	846,366
Transfers In:						
General Fund: Laws of MN 2008, Ch 363, Art 17, Sec 1		50,000				
Transfer from General Fund		455,000				
General Fund: Medical Assistance		6,998				
Total Sources	682,262	1,235,891	1,395,447	1,206,909	1,392,740	1,702,992
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	246,899	275,004	161,767	157,758	150,009	153,636
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[91,249]	[322,829]	[422,221]	[444,184]	[471,963]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[257,429]	[127,822]	[6,179]	-	-	-
MinnesotaCare: State Share of Enrollee Premiums	15,566	15,547	39,299	41,493	41,599	41,993
MinnesotaCare: State Share of Other Dedicated Revenues	111	87	-	-	-	-
Medical Assistance: Laws of MN 2013 Ch 108, Art 14, Sec 2	175,744	173,879	588,190	241,150	210,233	225,042
Healthy Minnesota Contribution Program	6,949	-	-	-	-	-
Department of Human Services	28,030	31,051	33,675	35,280	33,145	33,252
Department of Health ³	25,866	36,345	36,484	33,421	34,031	33,444
University of Minnesota: MN Laws 1sp 2011 Ch 5, Sec 5	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ³	1	64	319	128	128	128
Department of Revenue	1,569	1,893	1,749	1,749	1,749	1,749
Interest on Tax Refunds	353	169	293	307	323	339
Legislative Auditor: MN Laws 2011 Ch 247, Art 6, Sec 2	33	70	-	-	-	-
Total Expenditures	503,277	536,267	863,933	513,443	473,374	491,740
Transfers Out:						
To General Fund						
Medical Assistance: M.S. 16A.724 Subd 2(a)	96,000	-	48,000	48,000	48,000	48,000
2013 MA Expansion: Laws of MN 2013 Ch 1	20,550	25,332	30,841	44,481	-	-
Total General Fund Transfers	116,550	25,332	78,841	92,481	48,000	48,000
Special Revenue Fund: DHS Systems and Other	9,987	10,905	14,219	14,741	14,741	14,741
Medical Education & Research Costs (MERC) Fund, M.S. 16A.724 Subd 2(c)	1,000	1,000	-	-	-	-
Total Transfers Out	127,537	37,237	93,060	107,222	62,741	62,741
Total Uses	630,814	573,504	956,993	620,665	536,115	554,481
Balance	51,448	662,387	438,454	586,244	856,626	1,148,511

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 2016 figure includes funding carried forward from previous years.