

Health Care Access Fund

November 2014 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.

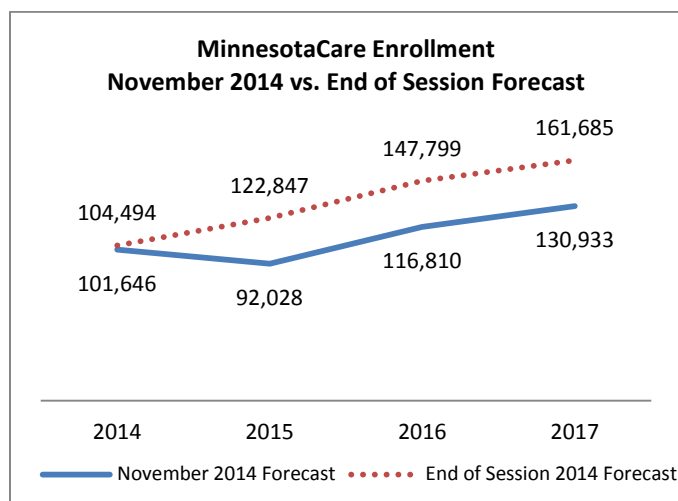
FORECAST AND FUND BALANCE CHANGES – Relative to end-of session estimates, net tax revenues decreased by \$9 million (0.8%) in FY 2014-15 and by \$29 million (2.1%) in FY 2016-2017. The lower collections are driven by slower growth of health care spending in future years.

The net state cost of MinnesotaCare fell by \$70 million (11.6%) for FY 2014-15 and by \$14 million (1.5%) for FY 2016-17, 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 HCAF appropriation to MA is \$45 million (11.3%) lower in FY 2014-15 and \$39 million (8.9%) lower in 2016-17. The transfer to the General Fund has also been reduced by \$13 million (22.2%) in FY 2014-15 and \$15 million (12.7%) in FY 2016-17.

The HCAF is projected to have a balance of \$176 million in FY 2015, and a deficit of \$62 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. This forecast estimates that MinnesotaCare will have approximately 30,000 fewer enrollees than projected at the end of session. Based on actual 2014 enrollment, it appears that more Minnesotans are enrolling in Medical Assistance and fewer are enrolling in MinnesotaCare than was previously expected. This lower MinnesotaCare enrollment reduces spending by \$92 million (15.3%) in 2014-15 and \$199 million (21.0%) in 2016-17.



Much of this reduction, however, is offset by higher than expected increases in managed care rates. Rates were anticipated to increase as many lower cost enrollees, primarily children, moved to Medical Assistance following 2014 eligibility changes. This left a relatively more expensive group of enrollees in MinnesotaCare and the updated cost experience for this remaining group was higher than expected. The impact of the higher rates is \$15 million (2.5%) increase in 2014-15 and a \$133 million (14.0%) increase in 2016-17 over end-of-session estimates.

CONTINGENT PROVIDER TAX REDUCTION – The provider tax will remain two percent for tax year 2015, 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

Figures in \$ Thousands

Sources	Closing FY 14	Projected FY 15	Projected FY 16	Projected FY 17	Projected FY 18	Projected FY 19
Balance Forward from Prior Year	49,862	56,991	175,761	96,680	(61,613)	(149,746)
Prior Year Adjustments	1,908	-	-	-	-	-
Adjusted balance forward	51,770	56,991	175,761	96,680	(61,613)	(149,746)
Revenues:						
2% Provider Tax	538,669	567,923	600,901	634,326	667,867	701,542
1% Gross Premium Tax	73,934	76,668	79,797	83,775	87,247	90,473
Provider and Premium Tax Refunds	(13,427)	(14,199)	(14,685)	(15,501)	(16,265)	(17,126)
State Share of MnCare Enrollee Premiums	15,677	19,517	33,072	37,091	37,870	38,191
Investment Income	762	540	630	70	-	-
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[121,700]	[279,996]	[343,873]	[378,688]	[403,968]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[257,429]	[153,239]	[16,019]	-	-	-
Federal Match on Administrative Costs	14,874	7,500	-	-	-	-
DSH Claim for Legal Non-Citizens in MinnesotaCare	-	2,200	-	-	-	-
Total Revenues	630,491	660,150	699,715	739,762	776,719	813,080
Transfers In:						
General Fund: Laws of MN 2008, Ch 363, Art 17, Sec 1		50,000	-	-	-	-
Total Sources	682,261	767,141	875,476	836,442	715,106	663,334
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	246,899	283,966	420,714	513,447	536,224	559,490
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[121,700]	[279,996]	[343,873]	[378,688]	[403,968]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[257,429]	[153,239]	[16,019]	-	-	-
MinnesotaCare: State Share of Enrollee Premiums	15,677	19,517	33,072	37,091	37,870	38,191
Medical Assistance: Laws of MN 2013 Ch 108, Art 14, Sec 2	177,855	175,980	196,186	206,650	206,650	206,650
Healthy Minnesota Contribution Program	6,949	-	-	-	-	-
Department of Human Services	28,030	35,665	42,756	40,781	42,521	40,781
Department of Health ³	25,866	35,561	28,743	28,143	28,743	28,143
University of Minnesota: MN Laws 1sp 2011 Ch 5, Sec 5	2,157	2,157	2,157	2,157	2,157	2,157
Legislature	-	128	128	128	128	128
Department of Revenue	1,569	1,749	1,749	1,749	1,749	1,749
Interest on Tax Refunds	(353)	(393)	(387)	(408)	(428)	(450)
Total Expenditures	497,699	554,330	725,118	829,738	855,614	876,840
Transfers Out:						
To General Fund						
Medical Assistance: M.S. 16A.724 Subd 2(a)	96,000	-	-	-	-	-
2013 MA Expansion: Laws of MN 2013 Ch 1	20,550	26,634	44,577	59,079	-	-
Other	33	-	-	-	-	-
Total General Fund Transfers	116,583	26,634	44,577	59,079	-	-
Special Revenue Fund: MAXIS/MMIS and Other	9,987	9,416	9,101	9,238	9,238	9,238
Medical Education & Research Costs (MERC) Fund, M.S. 16A.724 Subd 2(c)	1,000	1,000	-	-	-	-
Total Transfers Out	127,570	37,050	53,678	68,317	9,238	9,238
Total Uses	625,269	591,380	778,796	898,055	864,852	886,078
Balance	56,991	175,761	96,680	(61,613)	(149,746)	(222,744)

¹ For services beginning January 1, 2015, federal funding for MinnesotaCare will be received through the Basic Health Program and will be 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 2015 figure includes funding carried forward from previous years.