

Health Care Access Fund

November 2020

	Actual FY 20	Projected FY 21	Projected FY 22	Projected FY 23	Projected FY 24	Projected FY 25
Sources						
Balance Forward from Prior Year	636,130	630,769	552,338	335,480	169,685	(0)
Prior Year Adjustments	587	2,010	-	-	-	-
Adjusted balance forward	636,717	632,779	552,338	335,480	169,685	(0)
Revenues:						
2%/1.8% Provider Tax	695,934	663,701	695,077	725,386	758,003	792,355
1% Gross Premium Tax	95,710	96,851	100,820	105,400	110,249	115,320
Provider and Premium Tax Refunds	(14,071)	(13,176)	(13,720)	(14,339)	(14,982)	(15,686)
MinnesotaCare Enrollee Premiums	30,816	37,395	38,264	35,309	35,479	35,629
Investment Income	15,772	6,800	5,410	2,880	980	-
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[271,243]	[381,928]	[340,509]	[405,354]	[388,138]	[412,144]
Federal Match on Administrative Costs	15,931	17,941	17,941	17,941	17,941	17,941
Total Revenues	840,092	809,512	843,792	872,577	907,670	945,559
Transfers In:						
General Fund: Laws of MN 2017, Special Session, Ch. 1	7,200	-	-	-	-	-
Total Sources	1,484,009	1,442,291	1,396,130	1,208,057	1,077,355	945,559
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	26,248	31,736	198,838	179,269	217,906	223,241
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[395,613]	[522,292]	[379,361]	[405,354]	[388,138]	[412,144]
MinnesotaCare: State Share of Enrollee Premiums	30,768	37,395	38,264	35,309	35,479	35,629
Medical Assistance	586,959	602,583	611,178	612,099	612,099	612,099
Department of Human Services ²	36,385	38,045	38,620	39,247	39,247	39,247
Department of Health ²	35,180	42,833	37,512	36,832	37,432	36,832
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ²	316	-	-	-	-	-
Department of Revenue	1,760	1,760	1,760	1,760	1,760	1,760
MNsure ²	30	517	-	-	-	-
Board of Pharmacy	-	76	76	76	76	38
Interest on Tax Refunds	239	103	108	113	118	123
Total Expenditures	720,042	757,205	928,513	906,862	946,274	951,126
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a)	122,000	122,000	122,000	122,000	121,571	-
Total General Fund Transfers	122,000	122,000	122,000	122,000	121,571	-
Special Revenue Fund: DHS Systems and Other	11,198	10,748	10,137	9,510	9,510	9,510
Special Revenue Fund: MDH ITA Transfers	-	-	-	-	-	-
Total Transfers Out	133,198	132,748	132,137	131,510	131,081	9,510
Total Uses	853,240	889,953	1,060,650	1,038,372	1,077,355	960,636
Structural Balance	(5,948)	(80,441)	(216,858)	(165,795)	(169,685)	(15,077)
Balance	630,769	552,338	335,480	169,685	(0)	(15,077)

¹ 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 FY 2021 figure includes funding carried forward from previous years.



Health Care Access Fund

November 2020 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. The largest source of funding to the HCAF is a 1.8 percent provider tax. Prior to January 1, 2020, the provider tax was two percent. In addition, revenue to the fund includes a one percent gross premium tax, MinnesotaCare enrollee premiums, investment income earned on the balance of the fund, and federal match on administrative costs.

The fund covers portions of the cost of both the Medical Assistance (MA) and MinnesotaCare/Basic Health Plan (BHP) programs. Both programs are funded by a combination of state and federal resources. The portion of MinnesotaCare funded by the HCAF reflects the cost of the program not covered by federal BHP revenue or enrollees not eligible for federal BHP funding (state-only funded enrollees). The legislature sets the amount of HCAF covering MA, so this amount does not change with the forecast. The fund also pays for various agency responsibilities including administering the MinnesotaCare/BHP program, and granting resources to partners that enhance public health activities.

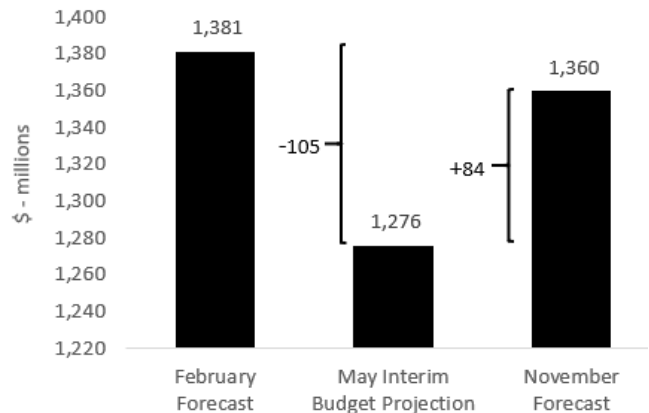
FORECAST AND FUND BALANCE CHANGES The HCAF is projected to have a balance of \$552 million at the end of FY 2021. This is a \$180 million (48.2 percent) increase above end of session estimates due to higher than anticipated revenues and lower state spending for MinnesotaCare as the result of increased federal BHP revenue.

At the end of the next biennium, the HCAF balance is estimated to be \$170 million, up \$311 million compared to the end of session estimate. Impacts experienced in FY 2020-21 carryover into FY 2022-23. This forecast also anticipates sufficient resources to restore statutory transfers to the General Fund in FY 2022 and FY 2023 that were reduced in the May

Interim Budget Projection. This forecast also estimates a small deficit (\$15 million) at the end of FY 2025 after reducing transfers to the General Fund in FY 2024-25.

Change in sources. HCAF revenues are projected to be \$1.650 billion in FY 2020-21, a \$72 million (4.6 percent) increase from End of Session 2020 estimates. Provider tax revenue is expected to increase \$84 million (6.6 percent) in the current biennium due to stronger than expected first quarter collections in the current fiscal year and increased growth for health care services compared to the May Interim Budget Projection. In that update, estimated provider tax revenues were significantly lowered (7.6 percent) due to anticipated changes to economic conditions and health care services as a result of the COVID pandemic. Provider tax revenue is still projected to be lower than the February forecast, but not to the degree in the May Interim Budget Projection.

Provider Tax Revenue for FY 2020-21



In FY 2022-23, HCAF revenue is expected to be \$1.716 billion, a \$184 million (12.0 percent) increase from end of session. Drivers of change in provider tax revenue in the current biennium carry into the next biennium.

Change in Expenditures. Total spending from HCAF is projected to be \$1.743 billion in FY 2020-21, down \$105 million (5.7 percent) compared to end of session.

Lower than expected state expenditures for MinnesotaCare are the drivers of change in this biennium. In FY 2020-21, MinnesotaCare is expected to be down \$95 million (62.2 percent) from previous estimate primarily due to expected increases in federal BHP revenue, which offsets state spending. The

Change in HCAF Balance	
(\$ millions)	FY 2022-23
Projected Balance – EOS 20	(141)
Increased Prior Year's Balance	180 (48.2%)
Increased Revenues	184 (12.0%)
Decreased Expenditures	75 (-3.9%)
Restored 16A Transfers	127 (52.1%)
Projected Balance – NOV 20	170

Centers for Medicare and Medicaid Services (CMS) provided final notice the calendar year 2021 BHP payments would include the “premium adjustment factor” (PAF) in the federal funding formula. Due to uncertainty surrounding this factor, previous forecasts did not include it in 2021. Adding the PAF to the federal funding formula is the primary driver of an \$80 million (84 percent) reduction in MinnesotaCare program.

This November 2020 forecast also recognizes changes to health care utilization due to the COVID pandemic. Contracts with managed care organizations and county-based purchasing plans include medical loss ratio provisions, which require health plans to spend a percentage of revenue on medical claims or the state may take-back a portion of payments. This forecast projects that lower utilization in MinnesotaCare will result in an expected \$30 million take-back from managed care plans with half occurring in FY 2020-21 and the other half in FY 2022-23.

Expenditure Changes in MinnesotaCare

\$- millions

	FY 20-21	FY 22-23
Increased BHP Revenue	(80)	(61)
Lower Health Care Utilization	(15)	(15)
Other	0	10
Total	(95)	(67)

In FY 2022-23, expenditures, including transfers to the general fund, are expected to be \$2.099 million, up \$53 million (2.6 percent) compared to end of session. This forecast also assumes federal BHP funding from the PAF in calendar year 2022. This is the primary driver of \$61 million in reduced state spending in the next biennium. In addition, this forecast assumes the Governor’s peacetime emergency is extended through June 30, 2021 and suspending disenrollment for non-payment of premium in MinnesotaCare remains in effect through the end of the fiscal year. This has a small impact (\$5 million) in the FY 2022-23.

BASIC HEALTH PROGRAM TRUST FUND

The Basic Health Program Trust Fund is an account in the state’s federal fund. Federal BHP payments are deposited in the account and used to fund eligible MinnesotaCare expenses. BHP revenues are not directly tied to changes in BHP expenditures but are

based on several factors including individual market premiums, enrollment, and the age and geographic distribution of program participants.

The BHP Trust Fund is projected to have a balance of \$39 million in FY 2021. This means all medical payments from MinnesotaCare/BHP enrollees can be covered by BHP federal revenue through the end of the current biennium.

Starting in FY 2022, BHP revenues are not expected to be sufficient to cover all anticipated BHP expenditures. This creates a funding gap that requires the HCAF share to automatically increase to cover expected costs.

BHP Revenue Change – Premium Adjustment Factor.

The Premium Adjustment Factor (PAF) resulted from a successful lawsuit over CMS’ decision to stop funding a portion of the original BHP payment methodology. Following the lawsuit, the administrative order issued by CMS did not specifically address which factors would be included in the BHP payment methodology, thereby leaving uncertainty if the new PAF would be included each year.

Forecast treatment is to incorporate the PAF once CMS makes public the BHP payment methodology for a calendar year. This forecast now incorporates the PAF into federal funding estimates since the final CY 2021 and proposed CY 2022 were published in the Federal Register.

Planning Years. The BHP revenue is expected to cover 70 percent of BHP expenditures (net enrollee premiums) in the planning estimates. Specifically, BHP revenues in FY 2024-25 are anticipated to be \$800 million, or \$340 million lower than anticipated expenditures on the MinnesotaCare-BHP eligible population. This requires the deficit to be funded by HCAF.

Basic Health Program Trust Fund

\$ - millions

	FY22	FY23	FY24	FY25
Beginning Balance	39	0	0	0
Revenue	341	405	388	412
Net Expenditures	542	543	558	582
Balance	(163)	(137)	(170)	(170)
HCAF Share	163	137	170	170