

Premium Security Plan Account

November 2020 Update

PURPOSE OF ACCOUNT – The Premium Security Plan was created by the 2017 legislature to provide reinsurance payments to health insurers, to help cover the cost of high claims in the individual market. These payments are intended to reduce premiums and to promote affordable health insurance for Minnesotans. The Minnesota Comprehensive Health Association (MCHA) administers the program, and the Department of Commerce serves as the fiscal agent for state appropriations directed to the program. The program was originally authorized to operate for two years (2018 and 2019). The 2019 legislature authorized a two-year extension through plan years 2020 and 2021. The projected balance in FY 2023 is \$120 million, a decrease of \$116 million (49.2 percent) from the balance projected in the February Forecast largely due to a one-time transfer to the general fund authorized in the October 2020 Special Session. Any state funds remaining in the account on June 30, 2023 will be returned to the health care access fund.

PRIMARY SOURCES – Approximately \$543 million was appropriated from state sources for the program in FY 2018-19. This includes \$142 million in transfers from the general fund and about \$401 million from the health care access fund. In addition, \$39 million in FY 2017 and \$3 million in FY 2018 were transferred to the state treasury from the existing balance at MCHA. This forecast recognizes a small additional transfer from MCHA in FY 2020. Federal funds are available through a 1332 waiver authorized in October 2017 and are estimated to total \$383 million for plan years 2018 through 2021. This forecast also reflects reduced interest earnings as a result of lower rates in recent months.

PRIMARY USES – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan. Expenditures for plan year 2019 (made in FY 2020) totaled \$150 million, or \$7 million (4.5 percent) lower than estimate. Spending in FY 2021 for plan year 2020 reinsurance payments is anticipated to be \$160 million, a reduction of \$5 million relative to previous estimate due to lower actuals in the second quarter due to deferred care as a result of the COVID pandemic. This forecast also reflects a \$105 million transfer to the general fund enacted in Laws 2020, Special Session 5, and the total amount expected to be transferred in FY 2021 to the general fund is now \$247 million. For plan year 2021 (payments attributed to FY 2022), expenditures are expected to be \$190 million, \$5 million higher due to stronger than expected enrollment growth in the individual market.

PREMIUM SECURITY PLAN ACCOUNT BALANCE

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Balance Forward From Prior Year	38,547	314,078	592,238	536,744	219,957	118,428
Prior Year Adjustments				644		
Adjusted Balance Forward	38,547	314,078	592,238	537,388	219,957	118,428
Transfers from the General Fund	71,000	71,000				
Transfers from the Health Care Access Fund	200,750	200,000				
MCHA Balance Transfer In	3,236		141			
Federal Pass-Through ^{1 2}		130,720	84,758	86,064	86,064	
Interest Income	1,045	13,157	10,332	7,654	3,294	2,104
Total Sources	314,578	728,955	687,469	631,106	309,315	120,532
MCHA Expenditures	500	592	420	549	487	62
Reinsurance Payments ³		136,125	150,305	163,600	190,400	
19, SS1, Ch 9 - transfer to General Fund				142,000		
20, SS5, Ch 3 - transfer to General Fund				105,000		
Balance	314,078	592,238	536,744	219,957	118,428	120,470

RELATIONSHIP TO OTHER STATE PROGRAMS – The Premium Security Plan lowers the cost of health insurance on the individual market from what it would be otherwise. Decreases in individual market rates also reduces federal funding the state receives to operate its Basic Health Program (MinnesotaCare) for individuals between 138 and 200 percent of the federal poverty level. As such, the duration and magnitude of the Premium Security Program impacts how much funding is available for MinnesotaCare.

¹ [Department of Health and Human Services and Treasury Minnesota Approved 1332 Waiver](#)

² Federal funding estimates for plan years 2018 and 2019 were initially published in the 1332 waiver approval letter in October 2017 and were amended in December 2018. Funding estimates for plan year 2020 was finalized on April 3, 2020.

³ Previous statements assumed payments to health carriers would be applied to the second fiscal year following a closed plan year. However, payments for plan year 2018 and 2019 were attributed to the first fiscal year following the closed plan year. This statement is updated to reflect this operational change.