

Premium Security Plan Account

End of Session 2021

PURPOSE OF ACCOUNT – The Minnesota 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 2021 Legislature extended the program for one year through 2022 but changed reinsurance parameters to right size the program, accounting for new federal subsidies for people on the individual market.¹ The projected balance in the Premium Security Plan Account in FY 2024 is \$740,000 at the end of session, a decrease of \$113 million (99 percent) compared to the February 2021 forecast. Any state funds remaining in the account on June 30, 2024 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 \$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. Federal funds are available through a 1332 waiver authorized in October 2017 and are now estimated to total \$438 million for plan years 2018 through 2022. This is an increase of \$58 million from February 2021 forecast due to one additional year extension enacted in the 2021 Legislative Session.

PRIMARY USES – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan. This statement reflects \$157 million in additional reinsurance payments expected for plan year 2022 to account for the additional year of the reinsurance.

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 reduce 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. The total cost to the Basic Health Plan as a result of the extension of the reinsurance program for the 2022 plan year is \$85.049 million, which is reflected in the health care access fund. The Premium Security Account statement reflects a \$6 million transfer to the health care access fund to partially offset the cost.

PREMIUM SECURITY PLAN ACCOUNT BALANCE

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Balance Forward From Prior Year	38,547	314,078	592,238	536,744	215,455	98,595	802
Prior Year Adjustments				644			
<i>Adjusted Balance Forward</i>	<i>38,547</i>	<i>314,078</i>	<i>592,238</i>	<i>537,388</i>	<i>215,455</i>	<i>98,595</i>	<i>802</i>
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		130,720	84,758	86,064	77,757		
21, SS1, Ch. 7 - PY 2022 extension federal pass-through						58,318	
Interest Income	1,045	13,157	10,332	5,344	2,218	1,304	
Total Sources	314,578	728,955	687,469	628,796	295,430	158,217	802
MCHA Expenditures	500	592	420	549	487		62
21, SS1, Ch. 7 - PY 2022 extension MCHA expenditures						425	
Reinsurance Payments		136,125	150,305	165,792	190,400		
21, SS1, Ch. 7 - PY 2022 extension reinsurance payments						156,990	
19, SS1, Ch. 9 - transfer to General Fund				142,000			
20, SS5, Ch. 3 - transfer to General Fund				105,000			
21, SS1, Ch. 7 - transfer to Health Care Access Fund					5,948		
Total Uses	500	136,717	150,725	413,341	196,835	157,415	62
Balance	314,078	592,238	536,744	215,455	98,595	802	740

¹ Laws 2021, Special Session 1, Chapter 7, Article 15