

Health Care Access Fund

February 2022 Forecast

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 2.0 percent. In addition, revenue to the fund includes a 1.0 percent gross premium tax, MinnesotaCare enrollee premiums, investment income earned on the balance of the fund, and federal match on administrative costs.

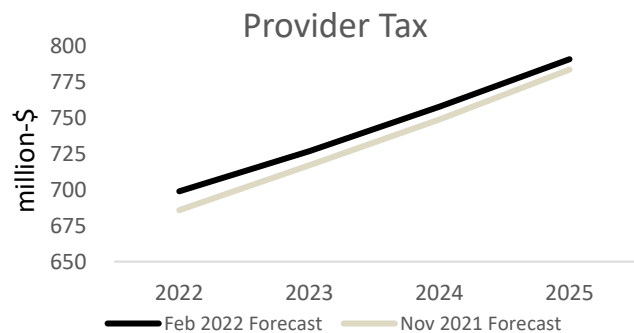
The fund covers portions of the cost of both the Medical Assistance (MA) and MinnesotaCare/Basic Health Plan (BHP) programs. Both programs are funded by a combination of state and federal resources. The portion of MinnesotaCare funded by the HCAF reflects the cost of the program not covered by federal BHP revenue or enrollee-paid premiums, and the cost of enrollees not eligible for federal BHP funding (state-only funded enrollees). The legislature appropriates the amount of MA expenditures funded by the HCAF, 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.

Change in HCAF Balance		
(\$ millions)	FY 22-23	FY 24-25
Prior Projected Balance	576	175
Prior Year Changes		76
Revenue Increases	38	18
Expenditure Changes	(38)	9
New Projected Balance	652	261

FORECAST AND FUND BALANCE CHANGES The HCAF is expected to have a balance of \$652 million at the end of the current biennium. This is an increase of \$76 million (13.2 percent) from the November forecast.

At the end of the planning biennium, the ending balance is expected to be \$261 million, up \$86 million (49.1 percent) from the November forecast. The change in fiscal year 2025 ending balance is primarily explained by changes in the current biennium.

Change in sources. HCAF revenues and transfers in are projected to be \$1.783 billion in FY 2022-23, a \$38 million (2.1 percent) increase from the November forecast. The largest driver of this change is an increase in expected provider tax collections. Forecast collections increased \$22 million (1.6 percent) from the November forecast. Relative to the November forecast, the projected rate of growth has increased, primarily in the current year due to the growth in economic variables used to forecast revenues. The remainder of the revenue increase reflects an accounting change that has the effect of increasing premium revenue, as well as enrollee premium expenditures, resulting in a net zero impact to the fund.



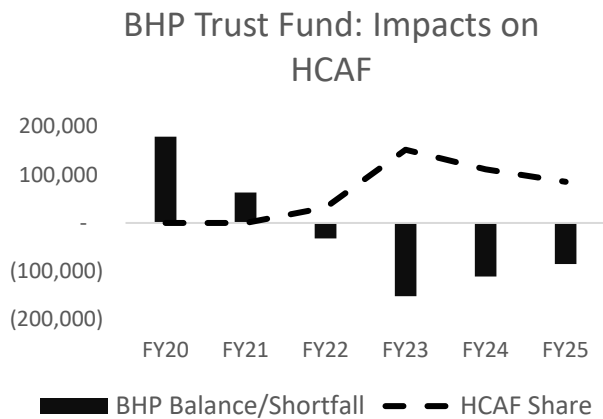
For the FY 2024-25 biennium, revenues are projected to be \$1.880 billion, an increase of \$18 million (1.0 percent) from the November forecast. This change is explained by the slightly stronger rate of growth in provider tax collections.

Change in Expenditures. Total spending is projected to be \$1.682 billion in FY 2022-23, a decrease of \$38 million (2.2 percent) and \$2.272 billion, an increase of \$9 million, (0.4 percent) in FY 2024-25 compared to the November forecast. Changes in spending are primarily explained by a reduction in the state share of MinnesotaCare due to additional BHP revenue. This is directly related to changes in federal BHP revenue and spending from the BHP Trust Fund. This is explained in detail on the next page.

BASIC HEALTH PROGRAM TRUST FUND

Federal BHP payments are deposited in the BHP Trust Fund and used to fund eligible MinnesotaCare expenses. Federal BHP funding is not directly tied to changes in BHP expenditures but is based on several factors including individual market premiums, enrollment, and the age and geographic distribution of program participants.

Starting this fiscal year, the BHP Trust Fund balance is projected to be zero, as BHP expenditures exceed available BHP resources. The difference between expenditures and revenues results in the HCAF share for the BHP program. The graph below illustrates that relationship.



Changes in BHP Revenues. Changes to revenue and expenditures in the BHP Trust Fund directly impact the amount of HCAF share needed for the MinnesotaCare/BHP population. In this forecast, BHP revenues are expected to increase \$61 million (6.6 percent) from the November forecast in the current biennium. This change can be explained by two factors.

The state receives estimated payments for BHP from the federal government based upon projected enrollment. Following the conclusion of a quarter the state reconciles those initial awards against actual enrollment to determine the actual amount owed to the state.

Since the November forecast, the state has reconciled additional quarters with the federal government and determined BHP revenue is higher than initially anticipated. In addition, the state received the final settle-up for the American Rescue Plan's CY 2020 and CY 2021 enhanced BHP funding which resulted in higher BHP revenue than expected in the November forecast.

As the chart in the next section displays, this decreases the HCAF share of MinnesotaCare by \$54 million in the current biennium after including spending changes.

In the planning biennium, BHP revenues are up \$5 million (0.6 percent) from the November forecast.

Changes to BHP Expenditures

In the current biennium, expenditures from the BHP Trust Fund are forecast to increase \$8 million (0.6 percent) from the November forecast. This is explained by the extension of the federal public health emergency which results in additional three months of continuous coverage, resulting in higher enrollment. In the planning biennium, expenditures are forecast to increase \$12 million (1.1 percent), primarily because of a slight increase in average monthly costs.

Basic Health Program Trust Fund

\$ - millions

	FY22	FY23	FY24	FY25
Beginning Balance	63	0	0	0
Revenue	542	453	422	461
Net Expenditures	637	605	533	546
Balance/(Shortfall)	(32)	(152)	(111)	(85)
HCAF Share	32	152	111	85
<i>Change</i>	(61)	7	4	3

Long Term Considerations

The American Rescue Plan provides enhanced Basic Health Program funding, decreasing the HCAF share of the MinnesotaCare program. The state of Minnesota will receive over \$200 million in additional funds for calendar years 2020 through 2022. These additional funds are partially offset by a lower enrollee premium schedule.

This enhancement is temporary and contributes to the positive balance in the HCAF in the current biennium.

Health Care Access Fund

February 2022 Forecast

	Actual FY 20	Actuals FY 21	Projected FY 22	Projected FY 23	Projected FY 24	Projected FY 25
Sources						
Balance Forward from Prior Year	636,130	630,769	551,558	561,381	652,489	299,561
Prior Year Adjustments	587	2,841	-	-	-	-
Adjusted balance forward	636,717	633,610	551,558	561,381	652,489	299,561
Revenues:						
2%/1.8% Provider Tax	695,934	667,158	698,704	726,593	758,377	790,630
1% Gross Premium Tax	95,710	106,485	112,076	117,167	122,557	128,195
Provider and Premium Tax Refunds	(14,071)	(31,861)	(12,462)	(13,033)	(13,554)	(14,225)
MinnesotaCare Enrollee Premiums	30,816	33,046	6,636	23,613	34,929	35,374
Investment Income	15,772	3,883	1,710	1,880	1,470	860
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[271,243]	[354,249]	[542,005]	[453,180]	[422,242]	[461,465]
Federal Match on Administrative Costs	15,931	15,371	17,941	17,941	17,941	17,941
Total Revenues	840,092	794,082	824,605	874,161	921,720	958,775
Transfers In: ²						
General Fund: Laws of MN 2017, Special Session, Ch. 1	7,200	-	-	-	-	-
General Fund: Laws of MN 2021, Special Session, Ch. 7			79,101			
Premium Security Plan Acct: Laws of MN 2021, Special Session, Ch. 7			5,948			
Total Sources	1,484,009	1,427,692	1,461,212	1,435,542	1,574,209	1,258,336
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	26,248	32,842	69,859	194,441	156,901	134,674
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[395,613]	[470,292]	[605,178]	[453,180]	[422,242]	[461,465]
MinnesotaCare: State Share of Enrollee Premiums	30,768	32,976	6,636	23,613	34,929	35,374
Medical Assistance	586,959	602,583	602,596	353,265	869,524	612,099
Department of Human Services ³	36,385	34,753	42,702	39,247	39,247	39,247
Department of Health ³	35,180	34,864	41,356	36,832	38,385	40,644
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ³	316	-	-	-	-	-
Department of Revenue	1,760	1,757	1,760	1,760	1,760	1,760
MNsure ³	30	124	406	-	-	-
Board of Pharmacy	-	-	76	76	76	38
Interest on Tax Refunds	239	696	146	152	159	165
Total Expenditures	720,042	742,752	767,694	651,543	1,143,138	866,158
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a) ⁴	122,000	122,000	122,000	122,000	122,000	122,000
Total General Fund Transfers	122,000	122,000	122,000	122,000	122,000	122,000
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	-	634	-	-	-	-
Total Transfers Out	133,198	133,382	132,137	131,510	131,510	131,510
Total Uses	853,240	876,134	899,831	783,053	1,274,648	997,668
Structural Balance	(5,948)	(82,052)	3,875	91,108	(352,928)	(38,893)
Balance	630,769	551,558	561,381	652,489	299,561	260,669

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 Laws 2017, chapter 13, article 1, section 15, as amended, requires the balance of the Premium Security Plan Account to be transferred to the HCAF at the end of FY 2024. As of the 2022 February Forecast, the ending balance in the account for FY 2024 is \$79.55 million. The HCAF statement will recognize that transfer once it occurs.

³ FY 2022 figure includes funding carried forward from previous years.

⁴ Laws 2021, Special Session 1, chapter 7, article 1, Section 40, paragraph (b) repeals this transfer starting in fiscal year 2026.

