

Health Care Access Fund

November 2021 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 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.

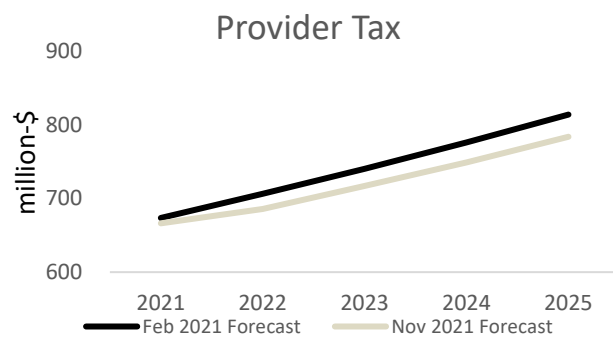
The fund covers portions of the cost of both the Medical Assistance (MA) and MinnesotaCare/Basic Health Plan (BHP) programs. Both programs are funded by a combination of state and federal resources. The portion of MinnesotaCare funded by the HCAF reflects the cost of the program not covered by federal BHP revenue or 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	567	34
Prior Year Changes	(9)	9
Revenue Decreases	(80)	(29)
Expenditure Decreases	(99)	(161)
New Projected Balance	576	175

FORECAST AND FUND BALANCE CHANGES The HCAF had a balance of \$552 million at the end of FY 2021. This is a \$9 million (1.6 percent) decrease from the end of session forecast, as revenue decreases were higher than expenditure reductions in FY 2021.

At the end of the current biennium, the HCAF balance is estimated to be \$576 million, up \$9 million (1.5 percent) compared to the previous estimate. At the end of the planning biennium, the balance is forecast to be \$175 million, an increase of \$141 million (514 percent) from end of session estimates.

Change in sources. HCAF revenues are projected to be \$1.661 billion in FY 2022-23, an \$80 million (4.8 percent) decrease from end of session estimates. Provider tax collections were lower than anticipated in FY 2021. This change in baseline tax collections results in \$44 million less (3.0 percent) revenue for the FY22-23 biennium. The change in provider tax revenue is partially offset by higher projections in the gross premium tax, which is \$23 million (11.3 percent) higher than end of session estimates.



This forecast reflects a \$58 million reduction in enrollee premium revenue. The American Rescue Plan placed limits on the premiums lower income Minnesotans could be charged. The 2021 legislature enacted conforming reductions in MinnesotaCare premiums. However, the impact on premium revenues was not reflected in the end of session statement or legislative tracking. This forecast reflects those reductions, explaining \$47 million of the change in premium revenue. Because of a corresponding reduction in expenditures, and the end of session statement reflecting the correct state share of MinnesotaCare, there is no impact to the balance of the fund.

For the FY 2024-25 biennium, revenues are projected to be \$1.863 billion, down \$29 million (1.7 percent) from end of session estimates. Changes from the lower baseline in provider tax revenue continue but are again partially offset by a stronger gross premium tax.

Change in Expenditures. Total spending is projected to be \$1.721 billion in FY 2022-23, down \$99 million (6.2 percent) and \$2.264 billion, down \$161 million (7.1 percent) in FY 2024-25 compared to end of session estimates.

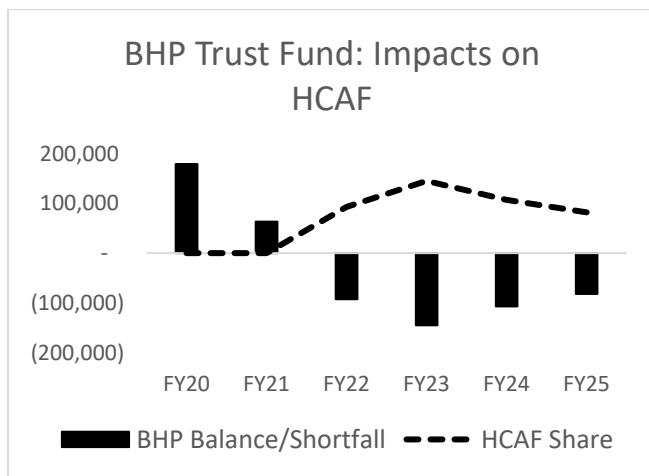
Changes in MinnesotaCare expenditures in this forecast are a result of higher federal revenue, which

is partially offset by higher enrollment. These changes are directly related to changes in federal BHP revenue and spending from the BHP Trust Fund. This is explained in detail below.

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.

The BHP Trust Fund had an ending balance of \$63 million in FY 2021, a \$2 million (3.2 percent) decrease from the end of session. Starting in FY 2022, 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 FY 2021, BHP revenues were \$53 million less than end of session estimates. In this forecast, BHP revenues are expected to be \$278 million higher across the forecast horizon due to additional federal revenues from the premium adjustment factor in the federal BHP funding formula and the impact of the METS Data Mart on future reconciliations.

This forecast assumes an extension of the premium adjustment factor (PAF) for the state’s BHP formula for calendar years 2023, 2024, and 2025. The PAF began in 2018, resulting from a lawsuit over CMS’s decision to stop funding cost sharing reductions in state insurance marketplaces, and the corresponding

portion of BHP payments. The PAF attempts to mimic “silver loading” - a marketplace dynamic used by health insurers in states that do not operate basic health plans to fund their required health insurance cost sharing reductions. After several years of experience, it is now assumed this factor will be an ongoing part of the formula. Adding these factors add \$179 million to the BHP Trust Fund between FY2023 to FY2025.

Federal BHP funding is provided prospectively based on projected enrollment that is later reconciled using actual enrollment data. Previously, the state assumed it would lose federal BHP funding because the state could not match eligibility between the METS eligibility system and the MMIS payment system. Around 5 percent of enrollees could not be matched between those two systems and went unclaimed in final reconciliations. Recently, the state has developed a new data warehouse, the METS Data Mart, to reduce the number of unmatched enrollees by around 3 percentage points. This improved performance is assumed in future years and increases BHP revenues by \$99 million.

Changes to BHP Expenditures. In FY 2021, BHP expenditures were \$51 million lower than end of session estimates. Over the forecast horizon, total BHP expenditures are expected to be \$76 million higher compared to the end of session estimates. The primary explanation of this change are revised assumptions around renewals in the MinnesotaCare program. These changes increase caseload in the current biennium. Previously, it was assumed that the bulk of MinnesotaCare renewals would occur in November 2021. As the public health emergency continues, DHS now assumes the bulk of MinnesotaCare renewals will occur in November 2022. This delay is to conform with continuous coverage requirements on the medical assistance program necessary to achieve enhanced federal match. Projected caseload is slightly lower than previous estimates in the FY 2024-25 biennium.

Basic Health Program Trust Fund

\$ - millions

	FY22	FY23	FY24	FY25
Beginning Balance	63	0	0	0
Revenue	477	457	420	459
Net Expenditures	633	602	527	541
Balance/(Shortfall)	(93)	(145)	(107)	(82)
HCAF Share	93	145	107	82
<i>Change</i>	(26)	(19)	(77)	(77)

Health Care Access Fund

November 2021 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	488,076	576,447	218,056
Prior Year Adjustments	587	2,841	-	-	-	-
Adjusted balance forward	636,717	633,610	551,558	488,076	576,447	218,056
Revenues:						
2%/1.8% Provider Tax	695,934	667,158	685,886	717,129	749,087	783,799
1% Gross Premium Tax	95,710	106,485	112,599	117,714	123,129	128,793
Provider and Premium Tax Refunds	(14,071)	(31,861)	(13,277)	(13,869)	(14,514)	(15,192)
MinnesotaCare Enrollee Premiums	30,816	33,046	(7,985)	23,462	34,541	34,995
Investment Income	15,772	3,883	1,770	1,830	1,360	670
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[271,243]	[354,249]	[476,568]	[457,237]	[419,733]	[458,809]
Federal Match on Administrative Costs	15,931	15,371	17,941	17,941	17,941	17,941
Total Revenues	840,092	794,082	796,934	864,207	911,544	951,006
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	1,433,541	1,352,283	1,487,991	1,169,062
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	26,248	32,842	130,127	187,387	152,587	131,251
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[395,613]	[470,292]	[539,741]	[457,237]	[419,733]	[458,809]
MinnesotaCare: State Share of Enrollee Premiums	30,768	32,976	(7,985)	23,462	34,541	34,995
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
MNsured ³	30	124	406	-	-	-
Board of Pharmacy	-	-	76	76	76	38
Interest on Tax Refunds	239	696	133	140	147	154
Total Expenditures	720,042	742,752	813,328	644,326	1,138,424	862,345
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	945,465	775,836	1,269,934	993,855
Structural Balance	(5,948)	(82,052)	(69,430)	88,371	(358,390)	(42,849)
Balance	630,769	551,558	488,076	576,447	218,056	175,207

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 2021 End of Session statement, the ending balance in the account for FY 2024 is \$81.6 million. The HCAF statement will recognize that transfer once it occurs.

³ FY 2021 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.



(\$ in thousands)

Minnesota Management and Budget