

# Health Care Access Fund

November 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
<b>Prior Projected Balance</b>	<b>599</b>	<b>147</b>
Prior Year Changes	1	327
Revenue Increases	96	29
Expenditure Changes	(230)	(455)
<b>New Projected Balance</b>	<b>926</b>	<b>958</b>

**FORECAST AND FUND BALANCE CHANGES** The HCAF is expected to have a balance of \$926 million at the end of the current biennium. This is an increase of \$327 million (13.2 percent) from the end-of-session statement.

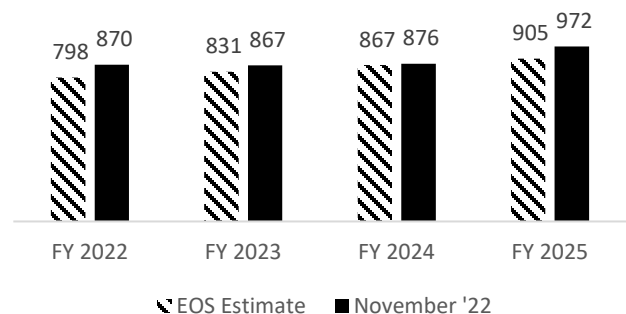
At the end of the FY 2024-25 biennium, the balance is expected to be \$958 million, up \$811 million (551.7 percent) from the November forecast. Changes from the end of session forecast are primarily explained by expenditure changes. In the FY 2026-27 biennium, the ending balance is \$1.552 billion.

## TEMPORARY REDUCTION IN THE PROVIDER TAX

Minnesota Statutes 295.52 subdivision 8, annually requires Minnesota Management and Budget to assess the revenues and expenditures into the Health Care Access Fund for the current biennium. In the event revenues into the fund exceed 125% of expenditures and transfers out of the fund for the current biennium, the state is required to reduce the 1.8% provider tax for the upcoming calendar year. With the forecast, the state has triggered this contingent temporary reduction. For calendar year 2023, the provider tax shall be 1.6%. This is the first time the state has triggered this contingency, which was enacted in 2011. This reduction is only for calendar year 2023, and this forecast assumes the tax returns to 1.8% in calendar year 2024.

**Change in Sources.** HCAF revenues and transfers in are projected to be \$1.879 billion in FY 2022-23, a \$96 million (5.3 percent) increase from prior estimates. During FY 2022, net tax collections exceeded forecast estimates by \$128 million (17.3 percent). Tax collections returned more closely to a pre-pandemic baseline than previously anticipated. These stronger FY 2022 collections increase forecast tax collections in future years. However, the impact of the temporary provider tax reduction partially offsets the increase in FY 2023.

HCAF Tax Collections After Refunds  
(\$ in millions)



In the FY 2024-25 biennium, revenues are \$1.909 billion, up \$29 million (1.5 percent) from end-of-session estimates. This increase is explained by stronger tax collections in FY 2022, which increases anticipated collections in future years. However, the contingent provider reduction reduces tax collections during the first six months of FY 2024-25 biennium.

In the FY 2026-27 biennium, revenues are \$2.188 billion, an increase of 14.6% from the FY 2024-25 biennium. This is primarily explained by the rate of growth in tax collections and tax collections being temporarily reduced in fiscal year 2024 due to the contingent provider tax reduction.

**Change in Expenditures.** Total spending is projected to be \$1.506 billion in FY 2022-23, a decrease of \$230 million (13.2 percent) and \$1.877 billion, a decrease of \$456 million, (19.5 percent) in FY 2024-25 compared to end-of-session estimates. Changes in spending are primarily explained by increased federal funding for Basic Health Plan enrollees. This additional funding reduces the state’s share of MinnesotaCare. This is explained in greater detail in the Basic Health Program Trust Fund section.

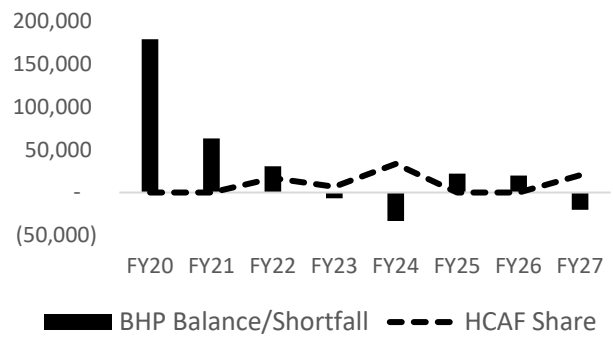
Expenditures in the FY 2026-27 biennium are \$1.593 billion, a 15.2 percent reduction over the FY 2024-25 biennium. This reduction is explained two factors. First, the medical assistance access fund share is \$257 million higher in FY 2024 than the FY2026-27 annual base. Second, the 2021 session law change, amended in 2022, which ended the transfer from the access fund to the general fund further reduced expenditures out of the fund.

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

In previous forecasts, the declining balance in the BHP Trust fund was the primary factor resulting in higher projected HCAF payments for the MinnesotaCare program. As the result of several federal actions, the BHP Trust Fund has a projected positive balance fiscal years 2025 and 2026. As a portion of this additional federal support ends in fiscal year 2026, the balance is depleted in fiscal year 2027. The relationship between the balance in the BHP Trust Fund and the share of claims the HCAF must pay is visualized in the chart above.

BHP Trust Fund: Impacts on HCAF



**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 \$223 million (6.6 percent) from the end-of-session statement in the current biennium. This change can be explained by three factors.

First, the November forecast recognizes the inclusion of a state innovation/reinsurance factor in the federal BHP funding formula. Prior to calendar year 2023, when a state operated a reinsurance program which lowered the premiums individuals pay on the health insurance marketplace, the federal formula that calculated the state’s funding used the lower benchmark premiums. This resulted in reduced BHP funding to the state. While the lower benchmark premiums under reinsurance will continue to be used in the federal funding formula, the addition of this new factor will account for the impact of the reinsurance program on marketplace premiums. This adds an additional \$87 million in federal BHP funding this biennium.

Second, the federal Inflation Reduction Act (IRA) provides additional BHP funding. The IRA extends the American Rescue Plan Act (ARPA)’s premium scale which limits household contributions on insurance premiums, through expanded premium tax credits through calendar year 2025. Because BHP funding is based on the value of premium tax credits, these more generous tax credits increase BHP funding. This provides an additional \$67 million in the current biennium.

Finally, the state receives an additional \$69 million in federal primarily due to higher caseload resulting from the delay of MinnesotaCare renewals to November 2023.

In the FY 2024-25 biennium, BHP funding increases \$560 million (86.4 percent) from end-of-session estimates. In FY 2024-25, the inclusion of a reinsurance factor in the BHP formula provides \$277 million in additional funding. While the rule may be revised in future years, the November forecast assumes it will be an ongoing part of the BHP formula.

Continued higher tax credits from the extended ARPA premium scale provides an additional \$172 million in BHP funding in FY 2024-25 biennium.

Finally, higher caseload provides an additional \$89 million in BHP funding, but this is offset by higher expenditures.

### Changes to BHP Expenditures

In the current biennium, expenditures from the BHP Trust Fund are forecast to increase \$10 million (1.0 percent) from the November forecast. This is explained by the extension of the federal public health emergency which results in higher enrollment due to requirements that the state maintain continuous coverage for enrollees.

In the planning biennium, expenditures are forecast to increase \$140 million (13.1 percent). This is the result of higher caseload from two factors. First, the delay of MinnesotaCare renewals to the fall of 2023 adds additional caseload. This additional caseload is tied to the extension of the public health emergency. Second, the impact of a mild recession based upon the most recent economic projections also increases caseload.

### Basic Health Program Trust Fund

\$ - millions

	<b>FY22-23</b>	<b>FY24-25</b>	<b>FY25-26</b>
Beginning Balance	63	31	7
Revenue	1,164	1,209	1,177
Net Expenditures	1,251	1,221	1,219
Balance/(Shortfall)	(15)	17	(20)
<b>HCAF Share</b>	<b>24</b>	<b>33</b>	<b>20</b>
<i>Change</i>	(214)	(397)	(N/A)

# Health Care Access Fund

November 2022 Forecast

<b>Sources</b>	Actuals FY 22	Projected FY 23	Projected FY 24	Projected FY 25	Projected FY 26	Projected FY 27
Balance Forward from Prior Year	551,558	663,547	926,236	715,234	958,118	1,243,046
Prior Year Adjustments	1,280	-	-	-	-	-
Adjusted balance forward	552,838	663,547	926,236	715,234	958,118	1,243,046
<b>Revenues:</b>						
2%/1.8% Provider Tax [1.6% in CY 23]	787,926	757,142	755,137	846,028	882,013	918,918
1% Gross Premium Tax	122,708	132,307	139,489	146,563	153,745	161,015
Provider and Premium Tax Refunds	(40,484)	(22,875)	(18,484)	(21,000)	(22,170)	(23,223)
MinnesotaCare Enrollee Premiums	6,152	6,227	5,700	5,715	20,950	37,790
Investment Income	3,387	7,770	7,980	8,140	10,730	13,630
MinnesotaCare: Federal Basic Health Program <sup>1</sup> [Non-Add]	[542,893]	[622,337]	[597,148]	[612,303]	[597,655]	[578,753]
Federal Match on Administrative Costs	17,049	17,049	17,049	17,049	17,049	17,049
<b>Total Revenues</b>	<b>896,738</b>	<b>897,620</b>	<b>906,871</b>	<b>1,002,495</b>	<b>1,062,317</b>	<b>1,125,179</b>
<b>Transfers In:</b> <sup>2</sup>						
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					
<b>Total Sources</b>	<b>1,534,625</b>	<b>1,561,167</b>	<b>1,833,107</b>	<b>1,717,729</b>	<b>2,020,435</b>	<b>2,368,225</b>
<b>Uses</b>						
<b>Expenditures:</b>						
MinnesotaCare: Direct Appropriation	55,074	51,747	81,017	48,153	50,110	72,609
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[575,436]	[652,965]	[597,148]	[590,031]	[599,967]	[598,713]
MinnesotaCare: State Share of Enrollee Premiums	6,152	6,227	5,700	5,715	20,950	37,790
Medical Assistance	602,596	353,265	869,524	612,099	612,099	612,099
Department of Human Services <sup>3</sup>	35,218	43,978	39,308	39,308	39,308	39,308
Department of Health <sup>3</sup>	34,645	43,561	38,385	40,644	41,244	40,644
University of Minnesota Legislature <sup>3</sup>	2,157	2,157	2,157	2,157	2,157	2,157
Department of Revenue	1,756	1,764	1,760	1,760	1,760	1,760
MNsure <sup>3</sup>	72	347	-	-	-	-
Board of Pharmacy		152	76	38	-	-
Interest on Tax Refunds	1,271	223	221	227	251	262
<b>Total Expenditures</b>	<b>738,941</b>	<b>503,421</b>	<b>1,038,148</b>	<b>750,101</b>	<b>767,879</b>	<b>806,629</b>
<b>Transfers Out:</b>						
<b>To General Fund</b>						
M.S. 16A.724 Subd 2(a) <sup>4,5</sup>	122,000	122,000	70,215	-	-	-
<b>Total General Fund Transfers</b>	122,000	122,000	70,215	-	-	-
Special Revenue Fund: DHS Systems and Other	10,137	9,510	9,510	9,510	9,510	9,510
Special Revenue Fund: MDH ITA Transfers	-	-	-	-	-	-
<b>Total Transfers Out</b>	<b>132,137</b>	<b>131,510</b>	<b>79,725</b>	<b>9,510</b>	<b>9,510</b>	<b>9,510</b>
<b>Total Uses</b>	<b>871,078</b>	<b>634,931</b>	<b>1,117,873</b>	<b>759,611</b>	<b>777,389</b>	<b>816,139</b>
<b>Structural Balance</b>	110,709	262,689	(211,002)	242,884	284,928	309,040
<b>Balance</b>	<b>663,547</b>	<b>926,236</b>	<b>715,234</b>	<b>958,118</b>	<b>1,243,046</b>	<b>1,552,086</b>

<sup>1</sup> 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.

<sup>2</sup> Laws 2017, chapter 13, article 1, section 15, as amended by Laws 2022, Chapter 44, Section 5 requires, requires the balance of the Premium Security Plan Account to be transferred to the HCAF at the end of FY 2029. The HCAF statement will recognize that transfer once it occurs.

<sup>3</sup> FY 2023 figure includes funding carried forward from previous years.

<sup>4</sup> Laws 2021, Special Session 1, chapter 7, article 1, Sec. 40, paragraph (b) as amended by Laws 2022, Chapter 44, Sec. 6, repeals this transfer starting in FY 2025.

<sup>5</sup> Laws 2022, Chapter 44, Section 1 limits the amount to be transferred from the HCAF to the general fund at \$70.215

