Premium Security Plan Account

November 2022

PURPOSE OF ACCOUNT – The Premium Security Plan was created by the 2017 legislature to provide reinsurance payments to health insurers to help cover high-cost claims in the individual market. These payments are intended to reduce premiums and result in more 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 to the program.

SOURCES – Revenues to the fund include federal payments made possible through a State Innovation Waiver under Section 1332 of the Affordable Care Act. The waiver and conforming state law are currently in place through plan year 2027. Payments are determined by the U.S. Treasury Department. An initial investment of $543 million was appropriated from the state's general fund and health care access funds, and $247 million was subsequently returned to the general fund through legislative action. Additional transfers from the general fund of $300 million and $229 million, in fiscal years 2023 and 2025, respectively, were authorized by the 2022 Legislature. Any state funds remaining in the Premium Security Plan Account on June 30, 2029, will be returned to the health care access fund.

USES – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS –Prior to calendar year 2023, the impact of the Premium Security plan was to lower the cost of health insurance on the individual market thus reducing benchmark premiums used to calculate federal Basic Health Program (BHP) funding. BHP funding helps support MinnesotaCare, a program serving individuals between 138 and 200 percent of the federal poverty level. However, in May 2022, the federal government issued an interim final rule changing the Basic Health Program funding formula for future years. These changes attempt to hold states harmless for operating a reinsurance program by modeling Basic Health Program funding as if a state did not operate a reinsurance program.

FORECAST AND FUND BALANCE CHANGES

At the end of the FY 2022-23 biennium, the balance in the account is forecast to be $401 million, an increase of $38 million (10.4 percent) from the end of session. This change is primarily explained by a reduction in expenditures for plan year 2022, which are paid in fiscal year 2023. This change is explained by actual program experience which suggests actual payments will be lower than previously estimated. In the FY 2024-25 biennium, the ending balance is $378 million, an increase of $149 million (65.0 percent) from the end of session. This change is primarily explained by changes in revenue resulting from federal action. The Inflation Reduction Act extended the American Rescue Plan Act's (ARPA) premium scale. ARPA increased the premium tax credits individuals receive, which has the impact of increasing federal pass through the state receives through the 1332 waiver. This provides around $40 million in additional revenue a year. Unrelated to federal action, higher interest earnings also add an additional $10 million in revenue in the FY 2024-25 biennium. These factors, plus the changes in the FY 2022-23 biennium, increase the balance in the account in FY 2024-25.

The ending balance in fiscal year 2027 is zero in the account. The 2022 legislature extended the reinsurance program providing legal authority to operate for an additional five years. However, they only provided general fund transfers in to fund the first three years of the program (calendar years 2023 through 2025). Based upon the end of session estimates, this funding was sufficient to operate the program through plan year 2025, represented by costs through fiscal year 2026.

As a result of additional revenue, and modest reduction in expenditure estimates, the balance in the account in fiscal year 2026 is now forecast to be $205 million. This forecast assumes the balance in the fund will be used to operate the reinsurance program for an additional year relative to the end of session estimates, through plan year 2026. The funds in the account are estimated to be insufficient to pay for the program as currently operating. This statement assumes a two percent reduction in program size necessary to fund the additional year within available resources. This reduction is laid out in Minnesota Statutes Chapter 62E.23 subdivision 3, paragraph (b), which provides that when funds in the account are insufficient, MCHA, in consultation with Commissioners of Commerce and Management and Budget shall design program parameters to fit within available resources. This forecast assumption may change in future forecasts.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

in thousands	Actual **FY 2022**	Projected **FY 2023**	Projected **FY 2024**	Projected **FY 2025**	Projected **FY 2026**	Projected **FY 2027**
Balance Forward From Prior Year	**217,826**	**165,759**	**400,784**	**289,235**	**377,991**	**205,342**
Prior Year Adjustments						
Adjusted Balance Forward	*217,826*	*165,759*	*400,784*	*289,235*	*377,991*	*205,342*
Transfers from the General Fund		300,092		229,465		
Transfers from the Health Care Access Fund						
MCHA Balance Transfer In						
Federal Pass-Through	142,727	91,110	121,480	121,480	121,480	121,480
Interest Income	859	3,384	5,041	4,420	4,442	1,898
Total Sources	**361,412**	**560,345**	**527,305**	**644,600**	**503,913**	**328,720**
MCHA Expenditures	397	542	602	645	691	739
Reinsurance Payments	189,308	159,019	237,468	265,964	297,880	327,981
21, SS1, Ch. 15 - transfer to Health Care Access Fund	5,948					
Total Uses	**195,653**	**159,561**	**238,070**	**266,609**	**298,571**	**328,720**
Balance	**165,759**	**400,784**	**289,235**	**377,991**	**205,342**	**0**