

Health Care Access Fund

November 2023 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. The tax was temporarily reduced to 1.6 percent for calendar year 2023 and will return to 1.8 percent on January 1, 2024. 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 Program (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 BHP/MinnesotaCare program and granting resources to partners that enhance public health activities.

Change in HCAF Balance		
(\$ millions)	FY 24-25	FY 26-27
Prior Projected Balance	445	261
Prior Year Changes	8	34
Revenue Increases	61	17
Expenditure Changes	34	160
New Projected Balance	479	152

FORECAST AND FUND BALANCE CHANGES The HCAF is expected to have a balance of \$479 million at the end of the current biennium. This is a \$34 million (7.6 percent) increase from the end of session statement.

At the end of the FY 2026-27 planning biennium, the ending balance is expected to be \$152 million, a \$109 million (41.7 percent) decrease from the end of session forecast. This decrease is primarily explained by higher spending.

Change in sources. HCAF revenues and transfers in are projected to be \$2.007 billion in FY 2024-25, a \$61 million (3.1 percent) increase from end of session estimates. This increase is explained by a stronger provider tax collections and higher investment income due to an increase in projected interest rates.

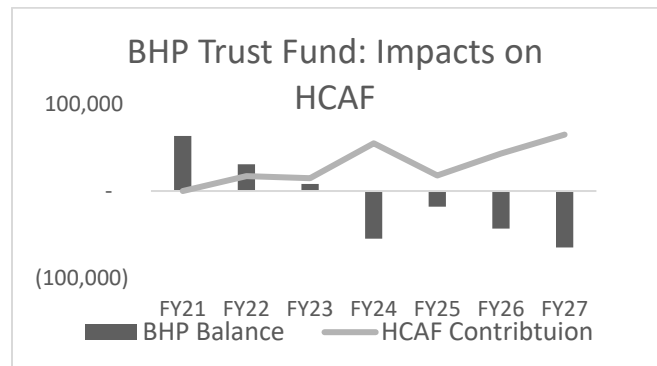
In the FY 2026-27 biennium revenues are \$2.225 billion, an increase of \$218 million (10.9 percent) over the FY 2024-25 biennium and \$17 million (0.7 percent) above end of session estimates.

Change in Expenditures. Total spending is forecast to equal \$2.481 billion in FY 2024-25, an increase of \$34 million (1.5 percent) compared to the end of session forecast. This increase is primarily explained by higher MinnesotaCare spending. MinnesotaCare enrollment is projected to be 2.8 percent above end-of-session estimates. In addition, the federal government has made a technical adjustment to the BHP funding formula resulting in lower federal revenue to the program.

Expenditures in the FY 2026-27 biennium are \$2.552 billion, \$160 million (5.9 percent) higher than end-of-session estimates and a \$70 million (2.8 percent) increase over the FY 2024-25 biennium. Higher MinnesotaCare spending is also the primary driver of this forecast increase, due primarily to the change in the federal payment formula.

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, income, and geographic distribution of program participants.



The declining balance in the BHP Trust fund results in higher projected HCAF payments for the MinnesotaCare program. The relationship between the balance in the BHP Trust Fund and the amount of claims the HCAF must pay is visualized in the chart above.

The amount of state funding from the HCAF is forecast to increase by \$28 million (64.1 percent) in the FY 2024-25 biennium and by \$49 million (82.4 percent) in the FY2026-27 biennium compared to the end of session forecast.

Changes in BHP Revenues. Changes to BHP Trust Fund’s revenue and expenditures directly impact the amount of HCAF funding needed for the MinnesotaCare/BHP population. Federal BHP revenues for the current biennium are forecast to increase \$63 million (5.7 percent), compared to the end of session statement.

This growth is primarily driven by higher projected enrollment, which is anticipated to increase federal BHP revenue by \$121 million. This increase is partially offset by two factors. First, a decrease in the average cost of enrollees reduces forecast federal BHP revenues by \$47 million. Second, a technical change to the federal BHP funding formula is expected to decrease federal revenues by an additional \$46 million.

FY 2026-27 federal BHP revenues are \$4 million (0.4 percent) lower than the end of session statement.

Changes to BHP Expenditures

In FY 2024-25, BHP expenditures from the BHP Trust Fund increased \$81 million (7.0 percent) from the end of session forecast. Higher-than-expected enrollment is the primary reason for this increase.

In FY 2026-27, BHP expenditures are forecast to increase by \$45 million (4.0 percent). This increase is also primarily driven the change in the federal payment formula.

Basic Health Program Trust Fund

\$ - millions

	FY22-23	FY24-25	FY26-27
Beginning Balance	63	8	0
Federal Revenue	1,138	1,166	1,068
Net Expenditures	1,218	1,244	1,126
Balance/(Shortfall)	(17)	(70)	(58)
HCAF Contribution	32	73	108
<i>Change</i>	<i>15</i>	<i>28</i>	<i>49</i>

Health Care Access Fund

2023 November Forecast

Sources	Actuals	Actuals	Projected	Projected	Projected	Projected
	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
Balance Forward from Prior Year	551,558	663,547	953,921	843,622	479,206	253,775
Prior Year Adjustments	1,280	3,000	-	-		
Adjusted balance forward	552,838	666,547	953,921	843,622	479,206	253,775
Revenues:						
2%/1.8% Provider Tax [1.6% in CY 23]	787,926	761,271	789,101	875,605	913,127	950,011
1% Gross Premium Tax	122,708	132,577	136,752	143,942	150,747	157,506
Provider and Premium Tax Refunds	(40,484)	(36,848)	(21,014)	(23,474)	(24,886)	(25,834)
MinnesotaCare Enrollee Premiums	6,152	1,009	552	1,828	17,670	34,690
Investment Income	3,387	33,673	40,890	25,300	9,120	3,910
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[542,893]	[617,659]	[585,427]	[588,564]	[547,438]	[520,852]
Federal Match on Administrative Costs	17,049	18,095	18,095	19,307	19,307	19,307
Total Revenues	896,738	909,777	964,376	1,042,508	1,085,085	1,139,590
Transfers In:²						
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					
Cancellation from Odyssey Fund to HCAF		392				
Total Sources	1,534,625	1,576,716	1,918,297	1,886,130	1,564,292	1,393,365
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	55,074	57,856	99,820	67,413	130,300	168,317
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[575,436]	[617,659]	[585,427]	[588,564]	[547,438]	[520,852]
MinnesotaCare: State Share of Enrollee Premiums	6,152	953	552	1,828	17,670	34,690
Medical Assistance	602,596	353,265	776,054	1,194,104	1,003,980	866,308
Department of Human Services ³	35,218	35,057	57,272	76,318	91,227	106,783
Department of Health ³	34,645	36,811	55,353	53,290	53,354	50,962
University of Minnesota Legislature ³	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 ³	72	72	1,423	-		
Board of Pharmacy		1	76	38	-	-
Interest on Tax Refunds	1,271	1,850	483	506	558	579
Total Expenditures	738,941	489,786	994,950	1,397,414	1,301,006	1,231,556
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a) ^{4 5}	122,000	122,000	70,215			
Total General Fund Transfers	122,000	122,000	70,215	-	-	-
Special Revenue Fund: DHS Systems and Other	10,137	10,386	9,510	9,510	9,510	9,510
Special Revenue Fund: MDH ITA Transfers	-	623	-	-		
Enacted Changes to Transfers Out:						
General Fund: M.S. 16A.724 Subd 2(a)						
Total Transfers Out	132,137	133,009	79,725	9,510	9,510	9,510
Total Uses	871,078	622,795	1,074,675	1,406,924	1,310,516	1,241,066
Structural Balance	110,709	287,374	(110,299)	(364,416)	(225,431)	(101,476)
Balance	663,547	953,921	843,622	479,206	253,775	152,299

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 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 if it occurs. Laws 2023, Chapter 57 transfers \$276 million from the Premium Security Account to the General Fund in FY 2026.

³ FY 2024 figure includes funding carried forward from previous years.

⁴ 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.

⁵ Laws 2022, Chapter 44, Section 1 limits the amount to be transferred from the HCAF to the general fund at \$70.215 million in fiscal year 2024.

(\$ in thousands)

Minnesota Management and Budget

