

Premium Security Plan Account

November 2023

PURPOSE OF ACCOUNT – The Premium Security Plan was established in 2017 to provide reinsurance payments to health insurers that provide coverage in the individual market. These payments offset a portion of insurers’ highest-cost claims to reduce premiums and result in more affordable health insurance for all Minnesotans with individual health insurance. The Minnesota Comprehensive Health Association (MCHA), an independent nonprofit organization, administers the program and the Department of Commerce serves as the program’s fiscal agent.

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 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 as a result of the program’s extension. 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. The 2023 Legislature also authorized a transfer of \$276 million to the general fund in FY2026.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS – Prior to calendar year 2023, the impact of the Premium Security plan lowering the cost of health insurance on the individual market decreased market rates used to calculate the Basic Health Program (MinnesotaCare) funding the state received for individuals between 138 and 200 percent of the federal poverty level. In December 2022, the federal government finalized a 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

The projected balance in the fund at the end of the FY2024-25 biennium is \$441 million, an increase of \$13 million over end-of-session estimates. This increase is largely due to lower-than-expected reinsurance payments and higher investment income in fiscal year 2023. These improvements carryforward into future years and contribute to the FY 2026-27 forecast balance of \$14 million. At the end of the 2023 legislative session, the account was projected to have a zero balance in FY 2027.

REVENUES – The fund’s resources are forecast to increase by \$4 million in the FY 2024-25 biennium, which is primarily driven by an increase the previous year’s balance. FY 2023 ended with a balance \$10 million higher than previous estimates. This improvement is partially offset by a reduction in federal pass-through revenue and interest earnings. These revenue reductions continue in the FY 2026-27 biennium.

EXPENDITURES – Forecast expenditures from the account are \$10 million lower in FY 2024-25 and \$6 million lower in FY 2026-27. This forecast assumes a plan year 2023 program size of \$220 million, a decrease of \$4 million compared to the end of session forecast. For plan year 2024 (payments attributed to FY 2025),

expenditures are expected to be \$246 million, a decrease of \$5 million. The assumption of a smaller plan continues into plan year 2025, reducing spending in the FY 2026-27 biennium.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

<i>in thousands</i>	Actual FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Balance Forward From Prior Year	165,759	422,348	331,518	440,653	14,240
Prior Year Adjustments					
<i>Adjusted Balance Forward</i>	<i>165,759</i>	<i>422,348</i>	<i>331,518</i>	<i>440,653</i>	<i>14,240</i>
Transfers from the General Fund	300,092		229,465		
MCHA Balance Transfer In					
Federal Pass-Through	91,110	119,486	119,486	119,486	
Interest Income	12,871	9,660	6,513	5,741	
Total Sources	569,832	551,494	686,982	565,881	14,240
MCHA Expenditures	586	608	637	691	739
Reinsurance Payments	146,898	219,368	245,692	275,175	
21, SS1, Ch. 15 - transfer to Health Care Access Fund					
23, CH 57 - transfer to the General Fund				275,775	
Total Uses	147,484	219,976	246,329	551,641	739
Balance	422,348	331,518	440,653	14,240	13,501