

Premium Security Plan Account

Governor's Recommendation

PURPOSE OF ACCOUNT – The Premium Security Plan was created by the 2017 legislature to provide reinsurance payments to health insurers, to help cover the cost of high claims in the individual market. These payments are intended to reduce premiums and to promote 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 for plan years 2018-2022. Payments are determined by the U.S. Treasury Department. An initial investment \$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.

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 PROGRAMS – The Premium Security Plan lowers the cost of health insurance on the individual market from what it would be otherwise. Decreases in individual market rates also reduce federal funding the state receives to operate its Basic Health Program (MinnesotaCare) for individuals between 138 and 200 percent of the federal poverty level. As such, the duration and magnitude of the Premium Security Program impacts how much funding is available for MinnesotaCare. Under current law, any state funds remaining in the Premium Security Plan Account on June 30, 2024 will be returned to the health care access fund.

GOVERNOR'S RECOMMENDATION:

The Governor recommends an extension of the Premium Security Plan funded through an assessment on the fully insured market. To enable this extension, the state will seek an extension of the Section 1332 waiver, which will provide an estimated additional \$77.7 million in federal funding for fiscal years 2024 and 2025. The difference between the cost of the program and federal revenues received are the state's share of the program. This recommendation pays for the state's share through an assessment levied prospectively. The assessment will be determined by the MCHA board, and this revenue will be directly received by MCHA, and will not enter the state's treasury. For informational purposes those assessment amounts are reflected on the next page but do not impact the account's balance.

The extension is contingent upon the federal government not reducing MinnesotaCare federal revenues as a result of the Premium Security Plan program. This provision ensures \$286 million in FY 2023-2025 in Basic Health Plan funding is available to fund the MinnesotaCare program.

The extension of the Premium Security Plan and resulting lower health care premiums will reduce MNSure's premium withhold revenue. This recommendation provides funding to compensate for this loss. This recommendation also provides funding to the Department of Commerce to help manage the federal compliance and reporting related to operations of the Section 1332 waiver.

This recommendation also delays the transfer of the balance of the premium plan security account to the health care access fund. Current law reflects a transfer in FY 2024, after the end of the program under current law. This recommendation transfers \$65.882 million to the health care access fund in FY 2025.

PREMIUM SECURITY PLAN ACCOUNT BALANCE

(in thousands)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Balance Forward From Prior Year	38,547	314,078	592,238	536,744	217,730	159,623	76,403	71,661
Prior Year Adjustments				644				
<i>Adjusted Balance Forward</i>	<i>38,547</i>	<i>314,078</i>	<i>592,238</i>	<i>537,388</i>	<i>217,730</i>	<i>159,623</i>	<i>76,403</i>	<i>71,661</i>
Transfers from the General Fund	71,000	71,000						
Transfers from the Health Care Access Fund	200,750	200,000						
MCHA Balance Transfer In	3,236		141	1				
Federal Pass-Through		130,720	84,758	86,064	142,727	107,045		
Interest Income	1,045	13,157	10,332	1,736	1,039	693	423	
GOV'S REC: Reinsurance Federal Pass-Through							77,757	77,757
Total Sources	314,578	728,955	687,469	625,189	361,496	267,361	154,583	149,418
MCHA Expenditures	500	592	420	249	525	558	165	
Reinsurance Payments		136,125	150,305	160,210	195,400	185,400		
19, SS1, Ch. 9 - transfer to General Fund				142,000				
20, SS5, Ch. 3 - transfer to General Fund				105,000				
21, SS1, Ch. 15 - transfer to Health Care Access Fund					5,948			
GOV'S REC: Reinsurance Federal Pass-Through to MCHA							77,757	77,757
GOV'S REC: MNSure & Commerce Costs						5,000	5,000	5,000
GOV'S REC: Transfer to Health Care Access Fund								65,882
Total Uses	500	136,717	150,725	407,459	201,873	190,958	82,922	148,639
Balance	314,078	592,238	536,744	217,730	159,623	76,403	71,661	779

Governor's Recommendations Impact on Minnesota Comprehensive Health Association

Revenues:

GOV'S REC: Reinsurance Assessment [Revenue Received By MCHA]	[159,281]	[182,956]	[208,995]
GOV'S REC: Reinsurance Federal Pass Through [Received From PSPA]		[77,757]	[77,757]

Expenditures:

GOV'S REC: Reinsurance Expenditures Total Program + MCHA Admin Costs		[237,038]	[260,712]
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Notes:

The MCHA Assessment occurs prospectively. Consequently, assessment revenues are received in the state fiscal year before being paid. The amount assessed in FY25 would not be paid by the MCHA board until FY26.