

Revised

Consolidated Fiscal Note

2021-2022 Legislative Session

SF3472 - 0 - Minnesota Premium Security Plan Extended

Chief Author: **Gary Dahms**
 Committee: **Health and Human Services Finance and Policy**
 Date Completed: **3/7/2022 4:58:42 PM**
 Lead Agency: **Commerce Dept**
 Other Agencies:
 Human Services Dept Minn Management and Budget
 MNsure

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Commerce Dept						
General Fund	-	108	216	216	216	
Restrict Misc. Special Revenue	-	-	-	167,101	196,606	
Federal Fund	-	-	-	-	-	
Human Services Dept						
General Fund	-	-	-	-	26,680	
Health Care Access	-	-	53,404	113,503	93,762	
MNsure						
General Fund	-	-	2,100	4,288	4,561	
Minn Management and Budget						
General Fund	-	-	1,087,366	-	-	
Restrict Misc. Special Revenue	-	-	(1,087,366)	-	-	
State Total						
General Fund	-	108	1,089,682	4,504	31,457	
Restrict Misc. Special Revenue	-	-	(1,087,366)	167,101	196,606	
Federal Fund	-	-	-	-	-	
Health Care Access	-	-	53,404	113,503	93,762	
Total	-	108	55,720	285,108	321,825	
Biennial Total			55,828		606,933	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Commerce Dept					
General Fund	-	.5	1	1	1
Restrict Misc. Special Revenue	-	-	-	-	-
Federal Fund	-	-	-	-	-

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Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Human Services Dept					
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
MNsure					
General Fund	-	-	-	-	-
Minn Management and Budget					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	.5	1	1	1

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been revised. The revision consists of an update of the coinsurance rate used in the calculations of the Department of Human Services (DHS) fiscal note estimates. A coinsurance rate of 64% was used in the previous DHS fiscal note estimates and has been revised to 80%, in accordance with the bill language. The DHS fiscal note also includes a transaction for a reduction of a transfer to the general fund from the Health Care Access Fund (HCAF) in FY25, which shows up as a cost in the fiscal note to the general fund. The revised fiscal note shows the inverse of the transaction, decreasing the expenses applied to the HCAF by the same amount so that both sides of the transfer are represented in the fiscal note. The details of this can be seen in the Expenditure and/or Revenue Formula section of the DHS fiscal note.

LBO Signature: Christian Larson **Date:** 3/7/2022 4:58:42 PM
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Revised

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
Commerce Dept						
General Fund	-	108	216		216	216
Restrict Misc. Special Revenue	-	-	-		167,101	196,606
Federal Fund	-	-	-		-	-
Human Services Dept						
General Fund	-	-	-		-	26,680
Health Care Access	-	-	53,404		113,503	93,762
MNsure						
General Fund	-	-	2,100		4,288	4,561
Minn Management and Budget						
General Fund	-	-	1,087,366		-	-
Restrict Misc. Special Revenue	-	-	(1,087,366)		-	-
	Total	-	108	55,720	285,108	321,825
	Biennial Total			55,828		606,933

1 - Expenditures, Absorbed Costs*, Transfers Out*

Commerce Dept						
General Fund	-	108	216		216	216
Restrict Misc. Special Revenue	-	-	-		167,101	196,606
Federal Fund	-	-	-		77,577	77,577
Human Services Dept						
General Fund	-	-	-		-	26,680
Health Care Access	-	-	53,404		113,503	93,762
MNsure						
General Fund	-	-	2,100		4,288	4,561
Minn Management and Budget						
General Fund	-	-	-		-	-
Expenditures	-	-	-		-	-
Transfers Out	-	-	1,087,366		-	-
Restrict Misc. Special Revenue	-	-	-		-	-
	Total	-	108	1,143,086	362,685	399,402
	Biennial Total			1,143,194		762,087

2 - Revenues, Transfers In*

Commerce Dept						
General Fund	-	-	-		-	-
Restrict Misc. Special Revenue	-	-	-		-	-
Federal Fund	-	-	-		77,577	77,577
Human Services Dept						
General Fund	-	-	-		-	-
Health Care Access	-	-	-		-	-
MNsure						
General Fund	-	-	-		-	-
Minn Management and Budget						
	-	-	-		-	-

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State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue					
Revenues	-	-	-	-	-
Transfers In	-	-	1,087,366	-	-
Total	-	-	1,087,366	77,577	77,577
Biennial Total			1,087,366		155,154

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Fiscal Note

2021-2022 Legislative Session

SF3472 - 0 - Minnesota Premium Security Plan Extended

Chief Author: **Gary Dahms**
 Committee: **Health and Human Services Finance and Policy**
 Date Completed: **3/7/2022 4:58:42 PM**
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Dollars in Thousands					
General Fund	-	108	216	216	216
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	-	-
Total	-	108	216	167,317	196,822
Biennial Total			324		364,139

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	.5	1	1	1
Restrict Misc. Special Revenue	-	-	-	-	-
Federal Fund	-	-	-	-	-
Total	-	.5	1	1	1

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Christian Larson **Date:** 3/2/2022 12:03:04 PM
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Revised

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	108	216	216	216	216
Restrict Misc. Special Revenue	-	-	-	167,101	196,606	-
Federal Fund	-	-	-	-	-	-
Total	-	108	216	167,317	196,822	-
Biennial Total			324		364,139	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	108	216	216	216	216
Restrict Misc. Special Revenue	-	-	-	167,101	196,606	-
Federal Fund	-	-	-	77,577	77,577	-
Total	-	108	216	244,894	274,399	-
Biennial Total			324		519,293	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-	-
Federal Fund	-	-	-	77,577	77,577	-
Total	-	-	-	77,577	77,577	-
Biennial Total					155,154	

Bill Description

SF3472 extends the State's reinsurance program, the Minnesota Premium Security Plan (MPSP), through the 2027 plan year. Additionally, the bill also changes the year in which the Minnesota Comprehensive Health Association (MCHA) must return unexpended funds to the State for deposit in the Health Care Access Fund from June 30, 2024 to June 30, 2029.

Assumptions

Background

The MPSP was created in 2017. Payments directed to the program are intended to reduce premiums for Minnesotans who buy their own insurance from what they otherwise would be absent the existence of the program. MCHA is responsible for administering the program. Commerce serves as the fiscal agent for state appropriations and federal payments directed to the program.

State expenditures for the program are for transfers to MCHA for the operational and administrative costs of the program as well as reinsurance payments to health insurers for eligible expenses.

The reinsurance program operates via a Section 1332 waiver approved by the federal government. The State's 1332 waiver was partially approved for a five-year period through December 31, 2022.[1] Under the specific terms and conditions of the waiver, the State receives federal pass-through funds in the amount of foregone premium tax credits that Minnesota residents would have been entitled to absent the waiver. Federal funding for the program is contingent upon state funds being available to cover the state's share of the reinsurance program in each plan year of operation.

Minnesota received \$130.7 million in federal funding for the MPSP for plan year 2018, \$84.8 million for plan year 2019, and \$86.1 million for 2020. On February 21, 2021, the State received the estimated federal funding amount for 2021: \$77.7 million. On September 7, 2021, the State received a revised federal funding amount of \$142,727,404, with the increase resulting from the American Rescue Plan Act (ARPA)'s increased premium tax credit subsidies. As of this writing, the State

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has not received a final federal funding amount for plan year 2022.

Assumptions

This fiscal note contains assumptions consistent with those made by the agency in its fiscal note on SF761-2E from the previous biennium and SF694 from the 2021 session.

Commerce assumes the MPSP program operations will continue as currently structured.

Commerce assumes the agency will continue in its existing role as fiscal agent for the State and Federal governments.

Commerce assumes that the MPSP attachment point, reinsurance cap, and methodology will remain consistent with previous plan years, and a return to an 80 percent coinsurance rate consistent with the 2021 and prior plan years.

Commerce assumes that there is no cap on the program size.[2]

Commerce assumes reinsurance payments to eligible health insurers will continue to be made in one lump-sum payment in the calendar year following the applicable plan year.

Commerce assumes that reinsurance payments for the MPSP will grow by 12 percent each year of the program through 2026. This reflects a larger than average health care trend assumption associated with reinsurance-eligible claims. Note that the 12 percent growth for plan year 2023 is calculated as two years of 12 percent growth from the size of the plan year 2021 program, as both years would have had an 80 percent coinsurance parameter. The plan year 2022 program has a 60 percent coinsurance parameter.

Commerce assumes there is no interest income in FY25 forward, because the fund balance of the premium security account is projected to go negative after plan year 2024.

Commerce assumes a continuation of current federal law, including an end to the expanded ARPA premium tax credit subsidies after plan year 2022. This results in an assumption of decreased enrollment (to pre-ARPA levels) and lower federal pass-through money (to pre-ARPA levels).

Reflecting these assumptions, Commerce assumes the reinsurance program's size will be as follows through 2027:

Plan Year	Estimated Reinsurance Program Size (thousands)*
2018	\$ 136,100
2019	\$ 149,700
2020	\$ 165,000
2021	\$ 194,700
2022	\$ 188,100
2023	\$ 244,257
2024	\$ 273,568
2025	\$ 306,396
2026	\$ 343,164
2027	\$ 384,344

Based on the most recent pre-ARPA federal funding estimate, Commerce assumes that federal funding for the reinsurance program will be \$77.7 million for plan years 2023-2027. The federal government does not provide estimated future funding amounts and thus Commerce does not have reliable projections of federal funding for future program years. This assumption is consistent with Commerce's assumptions in prior fiscal notes.

Commerce assumes additional agency costs (.5 FTE Actuary and .5 FTE SPA, Prin) from this bill. FY22 captures 1/2 year,

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and FY23 a full year, ongoing. Commerce assumes work associated with submitting the required application for a new Section 1332 waiver extension that is required for the program to extend beyond the fifth plan year (2022). As a condition of receiving the 1332 waiver, Commerce staff will be required to provide regular actuarial and programmatic updates to CMS staff. This includes providing quarterly and annual reports on progress the Department has made in operating the approved 1332 waiver as well as answering any ad hoc questions CMS may have about Minnesota's reinsurance program. Commerce staff also evaluate the impact federal pass-through funds have on the program. Additionally, Commerce staff monitor and review MCHA's work. This includes reviewing quarterly actuarial reports conducted by Wakely, MCHA's consulting actuaries and attending the relevant MCHA committee and board meetings.

[1]Federal regulators did not approve the State's application to hold its Basic Health Plan (BHP) funding for MinnesotaCare harmless from the impact of the MPSP. This decision has resulted in negative fiscal impact on BHP funding each year of MPSP operations. Assuming that the MPSP will continue to have the same impact will result in ongoing fiscal impact to BHP funding which would be addressed by the Department of Human Services in its fiscal note on this bill.
 [2]The reinsurance program costs were capped at \$271 million in 2018 and 2019.

Expenditure and/or Revenue Formula

in 000's	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Balance forward in	\$217,730	\$160,332	\$ 79,343	\$ (87,551)	\$(284,157)	\$(513,622)	\$ (779,887)
Federal pass-through	\$142,727	\$107,045	\$ 77,577	\$ 77,577	\$ 77,577	\$ 77,577	\$ 77,577
Interest income	\$ 938	\$ 624	\$ 372	\$ -	\$ -	\$ -	\$ -
Total Resources	\$361,395	\$268,001	\$157,292	\$ (9,974)	\$(206,580)	\$(436,045)	\$ (702,310)
MCHA expenditures	\$ 448	\$ 558	\$ 586	\$ 615	\$ 646	\$ 678	\$ 712
Commerce admin costs (moved to the General Fund)							
Reinsurance payments	\$194,667	\$188,100	\$244,257	\$ 273,568	\$ 306,396	\$ 343,164	\$ 384,344
Transfer to HCAF	\$ 5,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance	\$160,332	\$ 79,343	\$ (87,551)	\$(284,157)	\$(513,622)	\$(779,887)	\$(1,087,366)

Interest income in FY23 and FY24 was estimated by MMB in the February 2022 forecast.

MCHA expenditures for FY22 and FY23 were estimated by MMB in the February 2022 forecast. FY24-FY28 expenditures include a 5% inflation assumption.

The state costs shown on the front page of the Commerce fiscal note were determined by subtracting estimated federal pass-through payments listed above from total estimated MCHA and Commerce expenditures.

Commerce assumes agency admin costs from the General Fund, not Premium Security Plan Account.

Long-Term Fiscal Considerations

Revised

The estimates in this fiscal note reflect estimates in the State's February 2022 forecast.

The State is scheduled to receive a final 2022 federal funding amount in April 2022.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

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Revised

Fiscal Note

2021-2022 Legislative Session

SF3472 - 0 - Minnesota Premium Security Plan Extended

Chief Author: **Gary Dahms**
 Committee: **Health and Human Services Finance and Policy**
 Date Completed: **3/7/2022 4:58:42 PM**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	26,680
Health Care Access	-	-	53,404	113,503	93,762
Total	-	-	53,404	113,503	120,442
Biennial Total			53,404		233,945

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been revised. An error in the previous fiscal note represented the coinsurance rate at 64% of total health care costs, or 80% of the 2018-2021 coinsurance rate of 80%. This updated fiscal note, in compliance with language in the bill, updates that assumption to 80% coinsurance, which is equivalent to the reinsurance program as originally implemented in 2018. In addition, this revised fiscal note includes a reduction in the transfer to the General Fund in FY25 which shows up as a cost, and the inverse of this transfer to the Health Care Access Fund in FY25.

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Revised

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-	26,680
Health Care Access	-	-	53,404	113,503	93,762	
Total	-	-	53,404	113,503	120,442	
	Biennial Total		53,404		233,945	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	-	-	26,680
Health Care Access	-	-	53,404	113,503	93,762	
Total	-	-	53,404	113,503	120,442	
	Biennial Total		53,404		233,945	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Health Care Access	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-		-	-

Bill Description

Section 1 directs the Minnesota Comprehensive Health Association (MCHA) to administer the premium security plan at 80% through plan year 2027.

Assumptions

MinnesotaCare, the state's Basic Health Program (BHP), receives federal funding equivalent to 95 percent of the premium tax credits that each BHP enrollee would have received through MNsure if the state did not operate a BHP. Premium tax credits are based on second lowest cost silver plan premiums available in the market. The 1332 waiver for the premium security plan was only partially approved by the Centers for Medicare and Medicaid Services (CMS). CMS did not approve the request to hold MinnesotaCare harmless from the reduction in individual market premiums. As a result, if the premium security plan is extended, MinnesotaCare would experience reduced federal BHP revenue due to the reduction in individual market premiums, including the second lowest cost silver plan rates. This fiscal note reflects this projected reduction in federal BHP funding, which would need to be replaced with state funding.

An extension of the premium security plan is expected to reduce premiums in the individual market. The February 2022 forecast assumes that individual market premiums will increase at the end of the current reinsurance program, which is set to expire effective January 2023. This fiscal note assumes that the introduction of a reinsurance program effective in plan year 2023 would lower individual market premiums by 20% compared to what is currently held in the forecast.

This will reduce federal funding amounts in the Basic Health Plan Trust Fund in over the budget horizon (state fiscal years 2023-2025) and beyond. This shifts higher state cost to those fiscal years.

Under the February 2022 forecast the Health Care Access Fund (HCAF) is projected to have a balance of \$561 million in fiscal year 2022, \$652 million in fiscal year 2023, \$300 million in fiscal year 2024 and \$261 million in fiscal year 2025.

The current forecast reflects a statutory transfer of \$122 million in fiscal years 2023, 2024, and 2025 that is contingent on an available balance in the HCAF.

Increased spending in the HCAF will reduce the available balance in that fund in FY2025, and will result in an increased cost to the general fund as the contingent transfer would be reduced by \$26.680m in FY25 due to fewer available fund; this would be offset in the net by the corresponding increase to the HCAF due to this reduced transfer out of that fund.

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Expenditure and/or Revenue Formula

	FY 2022	FY 2023	FY 2024	FY 2025
Total HCAF Cost	\$0	\$53,403,896	\$113,503,465	\$120,442,469

Summary

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2022	FY2023	FY2024	FY2025
HCAF	31	MinnesotaCare Grants		53,404	113,503	120,442
GF	31	Reduced HCAF Transfer to the General Fund				26,680
HCAF	31	Reduced HCAF Transfer to the General Fund				(26,680)
		Total Net Fiscal Impact		53,404	113,503	120,442
		Full Time Equivalents				

Long-Term Fiscal Considerations

The state forecast does not extend beyond State Fiscal Year 2025. As this change is effective through plan year 2027, there would likely be a state impact in FYs 2026, 2027, and half of 2028.

On June 21, 2021, the Departments of Human Services and Commerce received a letter from the Centers for Medicare and Medicaid Services (CMS) indicating that CMS intends to revisit the intersection of section 1332 waivers (including reinsurance) and the Basic Health Program (BHP) funding formula. The State has not yet received updated guidance. This fiscal note assumes that the current formula will continue to apply.

Local Fiscal Impact

References/Sources

February 2022 Forecast

February 2022 HCAF Balance Sheet

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Approval-Letter-MN.pdf>
October 16, 2017

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Fiscal Note

2021-2022 Legislative Session

SF3472 - 0 - Minnesota Premium Security Plan Extended

Chief Author: **Gary Dahms**
 Committee: **Health and Human Services Finance and Policy**
 Date Completed: **3/7/2022 4:58:42 PM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	1,087,366	-	-	-
Restrict Misc. Special Revenue	-	-	(1,087,366)	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/2/2022 6:58:54 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium		
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	1,087,366	-	-	-
Restrict Misc. Special Revenue	-	-	(1,087,366)	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	-	-	-	-	-
Transfers Out	-	-	1,087,366	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	1,087,366	-	-	-
Biennial Total			1,087,366			-
2 - Revenues, Transfers In*						
General Fund						
Restrict Misc. Special Revenue						
Revenues	-	-	-	-	-	-
Transfers In	-	-	1,087,366	-	-	-
Total	-	-	1,087,366	-	-	-
Biennial Total			1,087,366			-

Bill Description

The bill extends the Minnesota Premium Security Plan (MPSP), which is the state's reinsurance program, through benefit year 2027.

Section 4 requires Minnesota Management and Budget (MMB) to transfer one-time a blank amount in fiscal year 2023 from the general fund to the premium security plan account at the Department of Commerce.

Assumptions

The one-time transfer will require de minimis administrative effort for MMB.

MMB assumes the intent of the blank transfer amount in fiscal year 2023 is to offset the projected negative balance in the premium security plan account in the special revenue fund resulting from the extension of the MPSP through benefit year 2027 (fiscal year 2028).

MMB's transfer amount reflects the assumptions and calculations provided in the Department of Commerce's fiscal note.

Expenditure and/or Revenue Formula

The Department of Commerce's fiscal note projects a negative balance in the premium security plan account of \$1,087,366,000 through fiscal year 2028 as a result of extending the MPSP through benefit year 2027. This is the amount MMB's fiscal note shows as transferred one-time in fiscal year 2023 from the general fund to the premium security plan account.

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Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

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Fiscal Note

2021-2022 Legislative Session

SF3472 - 0 - Minnesota Premium Security Plan Extended

Chief Author: **Gary Dahms**
 Committee: **Health and Human Services Finance and Policy**
 Date Completed: **3/7/2022 4:58:42 PM**
 Agency: **MNsure**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	2,100	4,288	4,561	
Total	-	-	2,100	4,288	4,561	
Biennial Total			2,100		8,849	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Carlos Guereca **Date:** 2/28/2022 10:12:22 PM
Phone: 651-284-6541 **Email:** carlos.guereca@lbo.mn.gov

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	2,100	4,288	4,561
Total		-	-	2,100	4,288	4,561
Biennial Total					2,100	8,849
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	2,100	4,288	4,561
Total		-	-	2,100	4,288	4,561
Biennial Total					2,100	8,849
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total					-	-

Bill Description

This bill would extend the Minnesota Premium Security Plan, the reinsurance program administered by the Minnesota Comprehensive Health Association, for plan years 2023 through 2027.

Assumptions

MNsure assumes federal approval of the 1332 waiver to extend the reinsurance program for the information that follows.

This bill would have no direct administrative effect on MNsure, as the reinsurance program is administered by the Minnesota Comprehensive Health Association.

An actuarial analysis on market participation would need to be conducted in order for MNsure to predict consumer behavior based on the absence of the reinsurance program. The subsidized population on the exchange changes from year to year; as of January 2021 over 58% of MNsure enrollees were receiving federal premium tax credits, which can mitigate the effects of rate fluctuations. Historically, MNsure has seen year-over-year growth in member months even during plan years when rates increased significantly. Given the level of uncertainty and the myriad factors that impact market rates and consumer behavior, MNsure assumes member months for participation within the exchange will remain constant with MNsure's annual lapse rate both with and without reinsurance.

For purposes of this fiscal note, MNsure has conformed its premium projections to those used by the Department of Human Services and the Department of Commerce. These projections include a 20% reduction to premiums caused by reinsurance and a year-over-year growth rate based on National Health Expenditure projections.

Reductions in premiums as a result of reinsurance reduce MNsure's premium withhold revenue. In order to absorb the reinsurance reductions in premium rates occurring in plan years 2018 and 2019, the first two years of the reinsurance program, MNsure spent down its carryforward balance. When the 2019 legislature extended reinsurance for an additional two plan years through December 2021, MNsure received a one-time \$8 million general fund appropriation to make up for expected revenue loss. In 2021 when the program was extended for one additional year, MNsure again received a \$3.8 million appropriation for expected revenue loss.

The Centers for Medicare and Medicaid Services (CMS) encourages state-based exchanges to build a reserve of 6-9 months of operating capital. Based on budget projections published from the October 2021 MNsure board meeting, MNsure will conclude FY22 with under one month of operating capital. Therefore, MNsure assumes the legislature will appropriate funding to make up for the lost revenue created by extending the reinsurance program and decreasing market prices for qualified health plans.

MNsure assumes this funding would be appropriated from the general fund and transferred into the MNsure enterprise fund. For the 2022-2023 biennium, \$2.1 million would be transferred from the General Fund. For the 2024-2025 biennium,

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\$8.849 million would be transferred from the General Fund. For the 2026-2027 biennium, \$10.058 million would be transferred from the General Fund. For the 2028-2029 biennium, \$2.658 million would be transferred from the General Fund.

The impact of the premium withhold revenue reductions that would result from this bill without a corresponding appropriation would put at risk MNsure's ability to effectively execute essential business, customer service, and outreach functions. Examples of this impact include but are not limited to:

Reductions in staffing and support for the call center, significantly lengthening call wait times

Reductions in manual operations staff, delaying the processing of life events and impacting MNsure's ability to keep customer accounts and information current

Reductions in MNsure marketing, outreach, and assister support, limiting MNsure's ability to reach Minnesotans who would benefit from enrolling through the exchange

Reductions in plan management staff, limiting MNsure's ability to interface with carriers and impacting MNsure's ability to produce accurate 1095A tax forms

Reductions in eligibility and enrollment staff, impacting MNsure's ability to stay up to date in applying federal regulatory changes to MNsure operations

Reductions in MNsure legal and compliance staff, such that MNsure would be unable to provide proper oversight of eligibility determinations and enrollment and renewals processes to ensure Minnesotans receive benefits for which they are eligible and that federal standards are properly applied

Reductions in MNsure's financial and contracts staff, such that MNsure would see challenges in its ability to stay current on financial payments and billing and to execute contracts in a timely manner

Recent federal legislative changes

MNsure notes that recent changes to health care coverage and the Affordable Care Act, as included in the American Rescue Plan Act and signed into law in March 2021, are currently slated to sunset at the end of plan year 2022. The federal legislation expands federal premium tax credits for many enrollees but does not directly change the underlying rates for marketplace coverage upon which MNsure calculates premium withhold revenue. Although there is significant uncertainty stemming from the sunset of the federal changes, MNsure believes it is reasonable to continue to assume a 20% reduction to premiums caused by reinsurance, consistent with previous analysis of Minnesota's reinsurance program and as referenced earlier in this note.

Expenditure and/or Revenue Formula

Projected revenue loss in FY2023 reflects that MNsure has already received an appropriation for the first half of FY2023 for the loss of revenue due to the reinsurance program the last time the program was extended by the Legislature in 2021.

	Member Months	Average Premium w/o Reinsurance	Withhold Percent	Withhold Revenue	Reinsurance-Adjusted Average Premium	Adjusted Withhold Revenue	Revenue Loss
EY 2022	1,302,707	\$568.00	3.50%	\$25,897,815.16	\$483.00	\$22,022,261.84	\$3,875,553.33
Jan-Jun22	659,185	\$568.00	3.50%	\$13,104,597.80	\$483.00	\$11,143,522.43	\$1,961,075.38
Jul-Dec22	643,522	\$568.00	3.50%	\$12,793,217.36	\$483.00	\$10,878,739.41	\$1,914,477.95
EY 2023	1,302,707	\$605.00	3.50%	\$27,584,820.73	\$514.00	\$23,435,698.93	\$4,149,121.80
Jan-Jun23	659,185	\$605.00	3.50%	\$13,958,242.38	\$514.00	\$11,858,738.15	\$2,099,504.23
Jul-Dec23	643,522	\$605.00	3.50%	\$13,626,578.35	\$514.00	\$11,576,960.78	\$2,049,617.57
EY 2024	1,302,707	\$644.00	3.50%	\$29,363,015.78	\$ 547.00	\$ 24,940,325.52	\$ 4,422,690.27

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Jan-Jun24	659,185	\$644.00	3.50%	\$14,858,029.90	\$ 547.00	\$ 12,620,096.83	\$ 2,237,933.08
Jul-Dec24	643,522	\$644.00	3.50%	\$14,504,985.88	\$ 547.00	\$ 12,320,228.69	\$ 2,184,757.19
EY 2025	1,302,707	\$686.00	3.50%	\$31,277,995.07	\$ 583.00	\$ 26,581,736.34	\$ 4,696,258.74
Jan-Jun25	659,185	\$686.00	3.50%	\$15,827,031.85	\$ 583.00	\$ 13,450,669.93	\$ 2,376,361.93
Jul-Dec25	643,522	\$686.00	3.50%	\$15,450,963.22	\$ 583.00	\$ 13,131,066.41	\$ 2,319,896.81
EY 2026	1,302,707	\$731.00	3.50%	\$33,329,758.60	\$ 621.00	\$ 28,314,336.65	\$ 5,015,421.95
Jan-Jun26	659,185	\$731.00	3.50%	\$16,865,248.23	\$ 621.00	\$ 14,327,385.98	\$ 2,537,862.25
Jul-Dec26	643,522	\$731.00	3.50%	\$16,464,510.37	\$ 621.00	\$ 13,986,950.67	\$ 2,477,559.70
EY 2027	1,302,707	\$779.00	3.50%	\$35,518,306.36	\$ 661.00	\$ 30,138,126.45	\$ 5,380,179.91
Jan-Jun27	659,185	\$779.00	3.50%	\$17,972,679.03	\$ 661.00	\$ 15,250,244.98	\$ 2,722,434.05
Jul-Dec27	643,522	\$779.00	3.50%	\$17,545,627.33	\$ 661.00	\$ 14,887,881.47	\$ 2,657,745.86

FISCAL YEAR TRANSLATION	Projected Revenue Loss by Fiscal Year
FY 2023	\$2,099,504
Jul-Dec22	\$0
Jan-Jun23	\$2,099,504
FY 2024	\$ 4,287,551
Jul-Dec23	\$2,049,618
Jan-Jun24	\$ 2,237,933
FY 2025	\$ 4,561,119
Jul-Dec24	\$ 2,184,757
Jan-Jun25	\$ 2,376,362
FY 2026	\$ 4,857,759
Jul-Dec25	\$ 2,319,897
Jan-Jun26	\$ 2,537,862
FY 2027	\$ 5,199,994
Jul-Dec26	\$ 2,477,560
Jan-Jun27	\$ 2,722,434
FY 2028	\$2,657,746
Jul-Dec27	\$2,657,746
Jan-Jun28	\$0
TOTAL	\$ 23,663,673

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Long-Term Fiscal Considerations

This bill provides for a 5-year extension of the reinsurance program and therefore results in a loss of revenue for MNsure beyond the budget horizon shown in this fiscal note. As previously mentioned and reflected in the tables above, for the 2026-2027 biennium, MNsure assumes \$10.058 million would be transferred from the General Fund, and for the 2028-2029 biennium, MNsure assumes \$2.658 million would be transferred from the General Fund for the loss of revenue due to reinsurance program.

Local Fiscal Impact

References/Sources

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