

HF4745 - 1A - MinnesotaCare Public Option

Chief Author: **Jamie Long**
 Committee: **Health Finance And Policy**
 Date Completed: **4/29/2024 2:33:08 PM**
 Lead Agency: **Human Services Dept**
 Other Agencies:
 Commerce Dept MNSure
 Revenue 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 | |
|----------------------------|---|----------|--------------|--------------|---------------|--------|
| Dollars in Thousands | | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| Commerce Dept | | | | | | |
| General Fund | - | - | 561 | 129 | 129 | |
| Human Services Dept | | | | | | |
| General Fund | - | - | 8,000 | 1,500 | 2,199 | |
| MNSure | | | | | | |
| General Fund | - | - | - | - | 9,485 | |
| State Total | | | | | | |
| General Fund | - | - | 8,561 | 1,629 | 11,813 | |
| Total | - | - | 8,561 | 1,629 | 11,813 | |
| Biennial Total | | | 8,561 | | 13,442 | |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|---|----------|------------|-----------|-----------|--------|
| | | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| Commerce Dept | | | | | | |
| General Fund | - | - | 1.4 | .5 | .5 | |
| Human Services Dept | | | | | | |
| General Fund | - | - | - | - | 1 | |
| MNSure | | | | | | |
| General Fund | - | - | - | - | 8.5 | |
| Total | - | - | 1.4 | .5 | 10 | |

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 reviewed and meets the LBO requirements for compliance with the fiscal note Uniform Standards and Procedures. Estimates include significant fiscal impacts in years not shown on the State Cost (Savings) Table. Please review the Long Term Fiscal Considerations section of the fiscal note for an explanation of the range of possible long-term

fiscal impacts.

LBO Signature: Kate Schiller **Date:** 4/29/2024 2:33:08 PM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

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 | | FY2023 | FY2024 | FY2025 | FY2026 |
| | | | | | FY2027 |
| Commerce Dept | | | | | |
| General Fund | - | - | 561 | 129 | 129 |
| Human Services Dept | | | | | |
| General Fund | - | - | 8,000 | 1,500 | 2,199 |
| MNsure | | | | | |
| General Fund | - | - | - | - | 9,485 |
| Total | - | - | 8,561 | 1,629 | 11,813 |
| Biennial Total | | | 8,561 | | 13,442 |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| Commerce Dept | | | | | |
| General Fund | - | - | 561 | 129 | 129 |
| Human Services Dept | | | | | |
| General Fund | - | - | 8,000 | 1,500 | 2,199 |
| MNsure | | | | | |
| General Fund | - | - | - | - | 9,485 |
| Total | - | - | 8,561 | 1,629 | 11,813 |
| Biennial Total | | | 8,561 | | 13,442 |
| 2 - Revenues, Transfers In* | | | | | |
| Commerce Dept | | | | | |
| General Fund | - | - | - | - | - |
| Human Services Dept | | | | | |
| General Fund | - | - | - | - | - |
| MNsure | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

HF4745 - 1A - MinnesotaCare Public Option

Chief Author: **Jamie Long**
 Committee: **Health Finance And Policy**
 Date Completed: **4/29/2024 2:33:08 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) | Biennium | | | Biennium | |
|-----------------------|----------|----------|--------------|--------------|--------------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| Dollars in Thousands | | | | | |
| General Fund | - | - | 8,000 | 1,500 | 2,199 |
| Total | - | - | 8,000 | 1,500 | 2,199 |
| Biennial Total | | | 8,000 | | 3,699 |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|----------|----------|----------|----------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| General Fund | - | - | - | - | 1 |
| Total | - | - | - | - | 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.

This fiscal note has been reviewed and meets the LBO requirements for compliance with the fiscal note Uniform Standards and Procedures. DHS provided an estimate that includes significant fiscal impacts in years not shown on the State Cost (Savings) Table. Please review the Long Term Fiscal Considerations section of the fiscal note for an explanation of the range of possible long-term fiscal impacts.

LBO Signature: Kate Schiller **Date:** 4/29/2024 2:18:57 PM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

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 | | FY2023 | FY2024 | FY2025 | FY2026 |
| | | | | | FY2027 |
| General Fund | - | - | 8,000 | 1,500 | 2,199 |
| Total | - | - | 8,000 | 1,500 | 2,199 |
| Biennial Total | | | 8,000 | | 3,699 |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | - | - | 8,000 | 1,500 | 2,199 |
| Total | - | - | 8,000 | 1,500 | 2,199 |
| Biennial Total | | | 8,000 | | 3,699 |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

Bill Description

Sections 15, 16, 17 and 18 would make changes to Minnesota statutes that conform with the other sections outlined below.

Section 19 would allow adults with incomes greater than 200% of the federal poverty level to be eligible for the MinnesotaCare public option as specified.

Section 20 would establish eligibility criteria for the MinnesotaCare public option.

Section 22 would allow managed care organizations (MCOs) and county-based purchasers (CBPs) that contract with the Department of Human Services (DHS) to serve MinnesotaCare recipients to receive reimbursement for MinnesotaCare public option enrollees and sets reimbursement rates at or greater than the Medicare payment rate for the same service, or for similar services as specified.

Section 23 would establish the MinnesotaCare Public Option program, including application processes and eligibility determinations, premium levels, cost-sharing, temporary enrollment limits, and establishing the ability of DHS to contract with MCOs and CBPs as specified.

Section 26 would require the commissioner of the department of commerce, in cooperation with DHS and MNsure, to submit a 1332 waiver as specified.

Assumptions

The effective date for this bill is assumed to be January 1, 2028. DHS assumes that a 1332 waiver will be submitted and approved by the federal government before the effective date of the bill.

DHS assumes that Commerce, in cooperation with DHS and MNsure, will submit a waiver application to the Secretary of Health and Human Services to obtain federal approval. DHS is requesting \$500,000 in FY25 to update the actuarial analysis and make necessary changes to prepare for the 1332 waiver submittal process in partnership with other agencies.

DHS assumes that eligibility and enrollment functions including the call center for enrollee applications, reapplications, renewals, and changes in circumstances would occur through MNsure. DHS also assumes that MNsure would be responsible for eligibility and enrollment adjudication and decisions and consumer support, including any questions regarding premium payments to health plans. MNsure would be responsible for the development, implementation, and execution of related business rules for eligibility and enrollment and handling any questions from health plans related to payment of premiums by consumers. Lastly, DHS assumes that health plan enrollment would follow Qualified Health Plan

(QHP) rules for open enrollment, special enrollment periods, and related rules and regulations.

DHS further assumes that DHS would administer coverage and benefits for the MinnesotaCare public option through contracting with health plans, and that DHS would contract with, pay, and oversee MCOs and CBPs to ensure that coverage provided to enrollees meets coverage requirements. The public option benefit set and service delivery is assumed to mirror the coverage and plan design in the current MinnesotaCare program, with the addition of deductibles, and it is assumed that premiums are paid to health plans directly, and not to DHS.

Lastly, DHS based administrative projections on results of the actuarial analysis completed in the spring of 2024 that was authorized and funded by the 2023 legislature, which estimated that, by Calendar Year 2029, 131,000 enrollees would buy into the MinnesotaCare public option. As of the writing of this fiscal note, enrollment in Medical Assistance and the current MinnesotaCare program is 1,476,065. A projected enrollment increase by Calendar Year 2029 of 131,000 would be equivalent to about an 8.9% increase in program enrollment.

Impacts to forecasted spending

Because the effective date of this bill is assumed to be beyond the budget horizon, which ends July 1, 2027, DHS assumes that impacts to forecasted spending are out of scope for this fiscal analysis. More information about forecasted program impacts are outlined in the “Long Term Fiscal Impacts” section of this fiscal note.

Administrative impacts

DHS assumes that administrative support will be needed to implement the public option. Administrative costs are assumed to be ineligible for federal financial participation (FFP) that is available for the Medical Assistance program.

The Managed Care Contracting and Rates (MCCR) division of the Health Care Administration (HCA) at DHS would require an additional two staff persons (MAPE 14L) to work with MCOs that contract to deliver the MinnesotaCare Public Option. These dedicated resources would support MCO procurement, contract and rate negotiations, and further support service delivery of the MinnesotaCare Public Option. These FTEs are anticipated to start in January of 2027, require an up-front administrative cost of \$17,744, and ongoing monthly administrative costs of \$2,228. Fringe benefits are estimated using the most recent union contracts.

MCCR will also need \$500,000 annually to add rate development for the Public Option to DHS’s actuarial contract. This funding will be needed first in FY27 in order to negotiate MCO contracts. Rates are assumed to be updated at least annually.

Additional administrative needs are outlined in the “Long Term Fiscal Impacts” section of this fiscal note.

Systems impacts

Lastly, DHS will require funding for systems changes related to creating and maintaining an interface between MNsure’s current IT systems vendor and the Medicaid Management Information System, MMIS, which is Minnesota’s automated system for payment of medical claims and capitation payments for the Medical Assistance and MinnesotaCare programs. A vendor has not yet been identified for work to create and maintain this interface. DHS estimates that these systems changes would cost \$7.5 million in up-front funding in FY25, with an ongoing maintenance and operations costs estimated annually at 20% of the total initial development cost. These systems costs are assumed to be ineligible for federal financial participation (FFP) that is available for the Medical Assistance program.

Expenditure and/or Revenue Formula

| Fiscal Tracking Summary (\$000's) | | | | | | |
|-----------------------------------|------|-------------------------------|--------|--------|--------|--------|
| Fund | BACT | Description | FY2024 | FY2025 | FY2026 | FY2027 |
| GF | 13 | HCA Admin FTEs - (0, 0, 0, 2) | 0 | 0 | 0 | 199 |
| GF | 13 | HCA Admin Contract | 0 | 500 | 0 | 500 |
| GF | 11 | Systems (State Share @ 100%) | 0 | 7,500 | 1,500 | 1,500 |
| | | | | | | |

| | | | | | | |
|--|--|--------------------------------|---|-------|-------|-------|
| | | | | | | |
| | | Total Net Fiscal Impact | 0 | 8,000 | 1,500 | 2,199 |
| | | Full Time Equivalents | 0 | 0 | 0 | 1 |

Long-Term Fiscal Considerations

An actuarial analysis authorized and funded by the 2023 Minnesota legislature projected calendar year state costs for a public option with the parameters outlined in bill language, and projected costs for the first three calendar years of the public option, with an assumption that coverage would begin on January 1 of 2027, an assumption that has since been amended. At the time of the analysis in March of 2024, cost projections to the state were as follows: \$208 million in calendar year (CY) 2027, \$246 million in CY 2028, and \$273 million in CY 2029. These projected costs are based on a series of assumptions outlined in the report, and are subject to change depending on enrollment, federal funding decisions, and other factors. Costs to the state are assumed to be ongoing.

DHS will have additional administrative needs to implement the public option, with estimated costs of \$2.11 million in the first year, and \$3.143 million ongoing. FTEs are anticipated to start in July of 2027, require an up-front administrative cost of \$17,744, and ongoing monthly administrative costs of \$2,228. Fringe benefits are estimated using the most recent union contracts. It is assumed that staff hired to administer the Public Option would not be eligible for Federal Financial Participation available for the administration of Medical Assistance. Anticipated administrative costs are outlined below.

Rate setting for the public option would require an addition of \$500,000 to the DHS actuarial contract as outlined in the "Assumptions" section above.

The Health Care Eligibility Operations (HCEO) division of HCA at DHS would need to ensure that the correct coverage is effectuated in the Medicaid Management Information System, MMIS, which is Minnesota's automated system for payment of medical claims and capitation payments for the Medical Assistance and current MinnesotaCare programs. To this end, HCEO would require two (MAPE 11L) full-time staff members.

DHS would also need one staff member in the Health Care Eligibility and Access (HCEA) division to provide eligibility policy support and address eligibility issues that arise with public option implementation, including transitions between the MinnesotaCare public option and public programs, mixed households, and other cases that impact Medical Assistance and current MinnesotaCare (commonly referred to as "Minnesota Health Care Programs", or MHCP) eligibility. HCEA would need one FTE (MAPE 17L) for this purpose.

DHS currently provides support to enrollees in working with health plans on coverage-related issues through the Minnesota Managed Health Care Ombudsperson Office. This office helps with access, service, and billing questions, and provides enrollees with information about managed health care grievances and appeals. This office currently has six permanent staff members and two temporary staff members. According to department data, about 85% of MHCP enrollees currently receive coverage through managed care, so an increase of 113,000 would represent an 11% increase in managed care enrollment. To that end, the Managed Care Ombudsperson office would need three permanent staff persons (MAPE 14L) to extend temporary staff on an ongoing basis and recognize the additional increase in enrollment. This office would also require one supervisor (MMA 21K) to supervise a total of nine ombudspersons, and one (MAPE 16L) data analyst.

DHS currently conducts eligibility appeals for MHCP and QHPs. From data for the CY 2027 projection of enrollment in the Public Option, about 70% of enrollees are anticipated to currently receive coverage through MNsure, and thus already have eligibility appeal support through DHS. The remaining 30% would newly receive eligibility appeal support through DHS. 30% applied to the CY29 projection of enrollment would yield approximately 33,900 enrollees. According to department data, about 10 percent of enrollees are anticipated to experience an adverse action, and of those, 10 percent are anticipated to result in an appeal. This implies about 339 appeals per year. To respond to appeals, it is estimated that 0.25 Chief Judge (Manager 2), 1 paralegal (AFSCME 67), and 1 HSJ (MAPE 19L) will be needed in the Compliance Management and Policy division. In addition, two FTEs (one MAPE 11L and one Supervisor 3) would be needed in the Health Care Integrity and Accountability division to handle an increase in appeals from households with "mixed" eligibility, where some members are enrolled in the MinnesotaCare Public Option and others are enrolled in MHCP as they exist today.

The Healthcare Research and Quality division would require one new staff person (MAPE 17L) to collect and process encounter data received from Managed Care Organizations (MCOs) that administer the MinnesotaCare Public Option. One other staff person (MAPE 17L) will be needed on an ongoing basis to collect and process data related to the effectiveness of the MinnesotaCare Public Option, including establishing and implementing performance metrics,

discerning whether access is equitable across sub-populations, and producing any other data that is needed to meet federal reporting requirements.

The Medicaid Payments and Provider Services (MPPS) Division is responsible for enrolling providers who wish to participate in and receive reimbursement for services provided to Medicaid and MinnesotaCare enrollees. It is assumed that providers for the MinnesotaCare Public Option would need to enroll in a similar manner. MPPS anticipates needing two staff persons (MAPE 5L) to enroll any new providers that may choose to participate because of the implementation of the MinnesotaCare Public Option.

Local Fiscal Impact

References/Sources

DHS Medicaid and MinnesotaCare Renewal Dashboard, accessed 3/26/2024: <https://mn.gov/dhs/medicaid-matters/renewal-dashboard/>

Milliman Public Option Analysis - March 15, 2024.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chris Zempel

Date: 4/2/2024 10:54:38 AM

Phone: 651-247-3698

Email: christopher.zempel@state.mn.us

HF4745 - 1A - MinnesotaCare Public Option

Chief Author: **Jamie Long**
 Committee: **Health Finance And Policy**
 Date Completed: **4/29/2024 2:33:08 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 | |
|----------------------|----------|--------|--------|----------|--------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| Dollars in Thousands | | | | | |
| General Fund | - | - | 561 | 129 | 129 |
| Total | - | - | 561 | 129 | 129 |
| Biennial Total | | | 561 | | 258 |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| General Fund | - | - | 1.4 | .5 | .5 |
| Total | - | - | 1.4 | .5 | .5 |

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: Shannon Zila **Date:** 4/11/2024 10:09:46 AM
Phone: 651-296-6053 **Email:** shannon.zila@lbo.mn.gov

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 | | FY2023 | FY2024 | FY2025 | FY2026 |
| | | | | | FY2027 |
| General Fund | | - | - | 561 | 129 |
| Total | | - | - | 561 | 129 |
| Biennial Total | | | | 561 | 258 |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | | - | - | 561 | 129 |
| Total | | - | - | 561 | 129 |
| Biennial Total | | | | 561 | 258 |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | | - | - | - | - |
| Total | | - | - | - | - |
| Biennial Total | | | | - | - |

Bill Description

House File 4745-1A amends Minn. Stat. §62V to establish a “public option” health insurance product in Minnesota. The bill expands eligibility for MinnesotaCare, the state’s health care program for Minnesotans with incomes between 133 and 200 percent of the federal poverty level (FPL). It establishes a premium scale for public option enrollees, provides state-funded cost-sharing reductions, establishes a contingent health insurance premium tax credit, requires Commerce to seek approval from the federal government to offer the public option and appropriates money.

Commerce, in cooperation with the Department of Human Services and the Board of Directors of MNsure, must submit a section 1332 waiver to the U.S. Secretary of Health and Human Services to obtain federal approval to implement HF4745-1A.

Commerce must also seek federal approval for the state to:

- Continue receiving federal Medicaid payments for Medicaid-eligible individuals and federal basic health program payments for basic health program-eligible MinnesotaCare individuals; and
- Receive federal pass-through funding equal to the value of premium tax credits and cost-sharing reductions that MinnesotaCare public option enrollees with household incomes greater than 200 percent of the federal poverty guidelines would otherwise have received.

Commerce is authorized to contract for any analyses, certification, data or other information required to complete a waiver application in accordance with federal regulations and any other applicable federal law. Commerce must cooperate with the federal government to obtain waiver approval under this section and may provide any information the commissioner determines to be necessary and advisable for waiver approval to the Secretary of Health and Human Services and the Secretary of the Treasury. This section is effective the day after final enactment of HF4745-1A.

HF4745-1A requires the MNsure board to ensure simple, convenient, and understandable access to enrollment in the public option through the MNsure website. The bill expands MNsure's existing responsibilities related to the individual and small group markets and public health care programs to include the public option.

Enrollment in the public option may only take place during an annual open enrollment period or special enrollment period, as designated by MNsure in compliance with federal regulations. MNsure must allow a special enrollment period for the public option with the same eligibility and requirements as for other qualified health plans offered through MNsure. Enrollment caps will apply during the first two years that the public option is offered. For PY2029 and after, no enrollment limit will apply to the public option.

Eligibility for the public option is limited to those with incomes greater than 200 percent of federal poverty guidelines who are not otherwise eligible for a Minnesota Health Care Program and who do not have an affordable offer of employer-sponsored health insurance. Prospective enrollees must confirm they are not eligible for medical assistance or MinnesotaCare through a pathway other than the public option. HF4745-1A requires that a person who becomes ineligible

for MinnesotaCare (i.e., their income increases above 200 percent of federal poverty guidelines) may have the option to instead enroll in the MinnesotaCare public option before their coverage is terminated.

Public option enrollees are subject to the existing MinnesotaCare cost-sharing requirements, except that:

- There are no exemptions from cost-sharing for specific groups of individuals, including children under age 21, pregnant women and American Indians who have incomes greater than or equal to 300 percent of federal poverty guidelines;
- Cost-sharing for public option enrollees must be set at an actuarial value of 94 percent, except that the actuarial value for public option enrollees with household incomes above 400 percent of the federal poverty guidelines may be lower than 94 percent;
- Deductibles scaled according to public option enrollee household income must apply; and
- Out-of-pocket maximums for public option enrollees must not exceed those outlined by existing federal regulations.

The public option will be effective January 1, 2027, or upon federal approval of the state's waiver application, whichever is later.

Assumptions

Commerce assumes the requirements of HF4745-1A would require a 1332 waiver. Commerce expects to, in cooperation with the Commissioner of Human Services and the MNsure board, submit a waiver application to the Secretary of Health and Human Services to obtain federal approval to implement HF4745-1A.

Commerce will be required to produce a detailed implementation plan and 10-year operational and cost projections as part of a waiver application. The waiver process also requires opportunities for meaningful public input prior to submission of an application. Commerce assumes agency staff will need to hold multiple public meetings throughout Minnesota to comply with this requirement. Commerce assumes that to complete the waiver application in the required timeline, there will be one-time actuarial and program staffing costs, in addition to contract resources. Commerce also assumes there will be ongoing actuarial and program staffing costs associated with the waiver's quarterly and annual reporting and annual public forum requirements.

Expenditure and/or Revenue Formula

One-time costs for Commerce to support regulatory consultation and submission of the 1332 waiver, including examining the impact the public option may have on the individual market; One-time costs of \$200,000 (FY25)

One-time staffing costs for development of 1332 waiver application and stakeholder consultation (FY25):

0.5 FTE - Chief Health Actuary

0.5 FTE - State Program Administrator Coordinator

One-time staffing costs to support the transition to a public option (FY25):

0.2 FTE - Chief Health Actuary

0.2 FTE - State Program Administrator Coordinator

Ongoing staffing costs for annual and quarterly waiver reporting and stakeholder consultation (FY26 and ongoing):

0.25 FTE - Chief Health Actuary

0.25 FTE - State Program Administrator Coordinator

| | | | FY25 | FY26 | FY27 | FY28 |
|--------|--|--|---------|--------|--------|--------|
| Salary | | | 225,136 | 80,406 | 80,406 | 80,406 |
| Fringe | | | 67,541 | 24,122 | 24,122 | 24,122 |

| | | | | | | |
|-------------------------------|--|--|---------|---------|---------|---------|
| | | | | | | |
| Other Personnel Related Costs | | | 68,247 | 24,374 | 24,374 | 24,374 |
| | | | 360,923 | 128,901 | 128,901 | 128,901 |

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

<https://mn.gov/commerce/insurance/health/public-option/>

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

Phone: 651-539-1517

Date: 4/9/2024 3:23:06 PM

Email: amy.trumper@state.mn.us

HF4745 - 1A - MinnesotaCare Public Option

Chief Author: **Jamie Long**
 Committee: **Health Finance And Policy**
 Date Completed: **4/29/2024 2:33:08 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 | |
|----------------------|----------|--------|--------|----------|--------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| Dollars in Thousands | | | | | |
| General Fund | - | - | - | - | 9,485 |
| Total | - | - | - | - | 9,485 |
| Biennial Total | | | - | | 9,485 |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| General Fund | - | - | - | - | 8.5 |
| Total | - | - | - | - | 8.5 |

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: Steve McDaniel **Date:** 4/29/2024 10:46:47 AM
Phone: 651-284-6437 **Email:** steve.mcdaniel@lbo.mn.gov

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 | | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| General Fund | - | - | - | - | - | 9,485 |
| Total | - | - | - | - | - | 9,485 |
| Biennial Total | | | | - | | 9,485 |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| General Fund | - | - | - | - | - | 9,485 |
| Total | - | - | - | - | - | 9,485 |
| Biennial Total | | | | - | | 9,485 |
| 2 - Revenues, Transfers In* | | | | | | |
| General Fund | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| Biennial Total | | | | - | | - |

Bill Description

This bill (HF 4745; First Engrossment) establishes a Public Option for Minnesotans to enroll in MinnesotaCare regardless of their income level effective Jan. 1, 2027. This bill requires MNSure to make the Public Option accessible through the MNSure platform and establishes that MNSure will make enrollment and eligibility determinations in addition to performing associated administrative functions, such as call center operation, marketing, and certification of insurance providers.

This bill establishes premium, deductible, and cost-sharing requirements for Public Option enrollees. Furthermore, this bill directs the Commissioners of Commerce and Human Services, and the MNSure Board of Directors, to submit a section 1332 waiver to implement the Public Option and, if needed, contract for necessary analyses required to complete the waiver application.

Lastly, this bill appropriates funds to the MNSure Board of Directors, the Commissioner of Human Services, and the Commissioner of Commerce.

Assumptions

H.F. 4745 establishes a Public Option for Minnesotans to enroll in MinnesotaCare, regardless of income. It directs MNSure to develop and implement application, eligibility, enrollment and administrative functions required to make the public option accessible through the MNSure website. The bill sets forth premium, deductible, and cost-sharing requirements for Public Option enrollees.

The effective date for this bill is assumed to be January 1, 2028. MNSure assumes that a 1332 waiver will be submitted and approved by the federal government before the effective date of the bill. It is assumed that additional bridge policies in this bill will continue until January 1, 2028.

It is assumed that DHS will administer all delivery of services and administration and oversight related to the delivery of services related to this program. It is assumed Commerce will submit the 1332 waiver and MNSure will provide guidance. The fiscal impact of these policies will have an impact on every division in MNSure. MNSure is directed to develop, administer, and maintain the eligibility and enrollment policy including case maintenance, reporting, notices and other supporting functions. It is assumed this includes technology/IT systems, call center, legal procurement and appeals, marketing and communication, and navigator and broker outreach and training.

It is assumed DHS will enter into a data sharing agreement with MNSure and that DHS will share data required for MNSure to perform these duties.

It is assumed that eligibility for the contingent health insurance premium tax credit or the contingent silver plan premium

subsidy will not impact a consumer's benefit amount for federal advanced premium tax credits and premium tax credit benefits upon reconciliation.

It is assumed MNIT has the capacity and resources to support MNsure technology system work on the timeline needed.

Public Option

For the Public Option it is assumed, based on the Milliman's Public Option Analysis dated March 15, 2024, Scenario 1E ("Milliman report"), that starting in calendar year 2027 an additional 25,000 Minnesotans will use the MNsure IT platform with 60,000 Minnesotans choosing a new option. The Milliman report estimates that in calendar year 2027 22,000 will be new consumers to MNsure from the uninsured population. By calendar year 2029, the number of uninsured opting into a Public Option grows to 31,000. It is assumed a part of that population may need application and language support. It is assumed that all the data is moved back one year to the 2028 timeline.

It is assumed the MNsure technology system must determine eligibility and display the Public Option "side-by-side" with qualified health plans (QHPs) to ensure that Minnesotans can directly compare cost and enrollment options between the Public Option and QHPs. It is assumed that this must provide "no wrong door" for Minnesotan's accessing public programs, QHPs or the Public Option regardless of eligibility. It is assumed MNsure's current IT systems vendor would be required to build this work. That build cost is \$6,300,000. The ongoing yearly systems maintenance and operations is \$300,000. It is assumed that the \$350,000 in MNIT Development costs will be for risk assessment purposes.

It is assumed that the Public Option would have the same open enrollment as QHPs. It is assumed that MNsure will be responsible for the development, implementation, and ongoing execution of related business rules for eligibility and enrollment for the Public Option, and for addressing questions from health plans related to payment of Public Option premiums by enrolled consumers.

It is assumed the current service levels (wait times, case resolutions) should be maintained in the call center and operations departments. It is assumed DHS and counties will maintain their service levels.

It is assumed that MNsure will support the design, eligibility, enrollment, and user interface pieces associated with the development and ongoing case maintenance work for the Public Option. MNsure will also support the technology development required to ensure eligibility, enrollment, and case maintenance functions for the public option work as intended. Additionally, MNsure will be required to develop and maintain Public Option eligibility and enrollment policy, support appeals related to the Public Option, develop system and manual notices, support outreach and consumer enrollment assistance work for MNsure assisters, and perform ongoing program support in collaboration with DHS. It is assumed MNsure will support technology development, system integration, data management, reporting, carrier relations, shopping experience, and external support. It is assumed MNsure will support instructional design training, website development, and additional job aids for certified brokers, Navigators, and application counselors. It is assumed MNsure will support those marketing and communication efforts for the Public Option.

It is assumed that the Public Option will result in an increase in call volumes to the MNsure contact center. The majority of the FTE required to administer this program will support consumer calls in the contact center.

It is assumed MNsure will support an increased number of appeals, additional contracting needs, purchasing work, rulemaking support, complaint and fraud reporting, and internal audits.

It is assumed that the Department of Commerce Enforcement Division (CED) will be adequately resourced to investigate allegations of fraud perpetrated against the Public Option.

It is assumed that because the Public Option is part of the MinnesotaCare program that the Department of Human Services Office of Inspector General and Minnesota counties will be adequately resourced for the investigation of recipient fraud in the program.

It is assumed MNsure will utilize the \$1,000,000 appropriated for a public awareness campaign prior to and during the beginning of the Public Option program. The appropriated funds will help support a contract with a marketing firm that would assist MNsure with market research, planning, creative development, ad production, and media buying and placement. It is assumed that 65% would go to media buying and the remainder would be allocated as appropriate. This process would be similar to the current approach to marketing related to MNsure's annual open enrollment period. MNsure assumes the funds will be available until spent to be used for continued marketing efforts.

It is assumed some premium stabilization that holds MNsure resources harmless is in place in the years preceeding Public Option.

It is assumed MNsure receives a 3.5% fee for service on gross premiums for all Public Option coverage. These revenues will cover the ongoing program and base operations cost. MNsure would require appropriating transfers from the general fund to the MNsure Board for startup and initial program initiative cost.

Expenditure and/or Revenue Formula

Public Option

| Cost Category | FY27 FTE | FY28 FTE | Ongoing FTE | FY27 Cost | FY28 Cost | Ongoing Cost |
|---------------------------------------|-----------------|-----------------|--------------------|------------------|------------------|---------------------|
| State Staff | 8.5 | 46.1 | 38.0 | \$1,251,149 | \$4,045,118 | \$3,351,575 |
| | | | | | | |
| Non-Payroll Costs | | | | | | |
| Workstation Costs | | | | \$84,252 | \$456,693 | \$376,656 |
| Printing/Postage/Supplies | | | | | \$75,000 | \$150,000 |
| Financial & Programmatic Audits | | | | | \$100,000 | \$100,000 |
| Payments to Navigators | | | | | \$77,500 | \$102,500 |
| Communications & Marketing | | | | \$1,000,000 | | |
| Cloud Database Software | | | | | \$5,000 | \$10,000 |
| Interpreter & Language Services | | | | | \$15,500 | \$31,000 |
| Service Contract: Business Analyst | | | | \$300,000 | \$225,000 | |
| Service Contract: Project Manager | | | | \$200,000 | \$150,000 | |
| | | | | | | |
| IT | | | | | | |
| Development, Service Contract | | | | \$6,300,000 | | |
| Development, MNIT | | | | \$350,000 | | |
| Maint. & Operations, Service Contract | | | | | \$300,000 | \$300,000 |
| | | | | | | |
| MNsure FTE | 8.5 | 46.1 | 38.0 | | | |
| MNsure Costs | | | | \$9,485,401 | \$5,449,811 | \$4,421,731 |

Long-Term Fiscal Considerations

It is assumed that the Public Option will begin on January 1, 2028, and will continue. The ongoing costs for the Public Option will be \$4,421,731 once it is implemented and providing coverage to eligible Minnesotans. We are not able to predict future uptake and would need to rely on other analysis.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Pete Engler

Date: 4/29/2024 10:30:06 AM

Phone: 651-247-0247

Email: pete.engler@state.mn.us

HF4745 - 1A - MinnesotaCare Public Option

Chief Author: **Jamie Long**
 Committee: **Health Finance And Policy**
 Date Completed: **4/29/2024 2:33:08 PM**
 Agency: **Revenue 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 | |
|----------------------|--|----------|--------|--------|----------|--------|
| Dollars in Thousands | | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|--|----------|--------|--------|----------|--------|
| | | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| 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:** 3/16/2024 9:10:13 AM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

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 | | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

Bill Description

This bill creates a public option for MinnesotaCare coverage to people with household incomes above 200 percent of the federal poverty guidelines and who meet all other MinnesotaCare eligibility requirements beginning January 1, 2027 or upon federal approval, whichever is later.

Line 2.3 of the amendment to the bill removes sections 24 and 25 from the original bill. Section 24 included changes to Minnesota's medical expense deduction and Section 25 created the Contingent Health Insurance Premium Refundable Tax Credit.

Assumptions

The Department of Revenue (Revenue) assumes this amendment removes all impacts to Revenue from the bill.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Date: 3/15/2024 4:21:35 PM

Phone: 651-556-6308

Email: chelsea.magadance@state.mn.us