

Health Care Access Fund

May 2020 Interim Budget Projection

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 two percent. In addition, revenue to the fund includes a one 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 Plan (BHP) programs. Both of these programs are funded by a combination of state and federal resources. The fund pays for various agency responsibilities including administering the MinnesotaCare/BHP program, and granting resources to partners to enhance public health activities.

Change in HCAF Balance	
(\$ millions)	FY 2020-21
Projected Balance – Feb 20	565
Change in Sources	(127) (-7.4%)
Change in Expenditures	35 (2.0%)
Projected Balance – May 20	403

MAY INTERIM BUDGET PROJECTIONS. Changes to the May interim budget projection updated HCAF revenues and expenditures with two additional months of actual experience, new economic data from IHS Global Insights April 2020 release, and impacts of executive orders and enacted legislation.

The projected balance in FY 2021 is now \$403 million, a \$162 million (28.7 percent) decrease from February forecast. This change is the primarily driven by a \$127 million (7.4 percent) decrease in projected revenues in the fund.

Change in sources. HCAF revenues are projected to be \$1.578 billion in FY 2020-21, a \$127 million (7.4 percent) decrease from February 2020 forecast. Provider tax collections are expected to decrease \$105 million (7.6 percent) in FY 2020-21 compared to previous forecast.

This budget projection updates forecast models used in February 2020 forecast with IHS Global Insights growth rates for health services and pharmacy/medical products based on the April 2020 release. The additional economic data, along with updated actual revenue collections for February and March (an increase of \$7 million, 10.1 percent above February 2020 estimates) accounts for the change in estimated provider tax revenue.

Recently the Minnesota Department of Revenue allowed first quarter tax payments to be delayed in June 2020. This forecast assumes that expected payments will still be collected within the fiscal year. The impact of postponing elective procedures on biennial revenues is uncertain.

Change in Expenditures. Expenditures from HCAF are projected to be \$1.818 billion in FY 2020-21, \$35 million (2.0 percent) higher compared to previous forecast.

Overall spending for MinnesotaCare is expected to increase \$126 million compared to February 2020 forecast. This spending increase includes a small enrollment increase (less than 1 percent) due to a policy instituted under Executive Order 20-12 that temporarily suspends disenrollment for nonpayment of premium for MinnesotaCare enrollees. However, the projected expenditure increase is primarily driven by higher MinnesotaCare enrollment (30.8 percent) in FY2021 due to worsening economic conditions.

Anticipated revenue in the federal BHP Trust Fund is expected to fund 72.5 percent of the increased spending in the current biennium with a state share of 27.5 percent, funded with enrollee premiums and HCAF expenditures.

Expenditure Changes in MinnesotaCare

\$- millions

	FY 2020-21	%
MinnesotaCare/BHP spending increase	126	14.0
<i>minus</i> Available federal BHP funding	91	11.5
Remaining Obligation	35	1.5%
Enrollee premiums	9	13.4
HCAF share	26	26.1

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	Actual FY 18	Actual FY 19	Projected FY 20	Projected FY 21
Sources				
Balance Forward from Prior Year	712,964	690,957	636,130	621,043
Prior Year Adjustments	1,009	1,517	-	-
Adjusted balance forward	713,973	692,474	636,130	621,043
Revenues:				
2%/1.8% Provider Tax	658,371	687,235	691,404	584,156
1% Gross Premium Tax	101,180	100,064	98,151	91,875
Provider and Premium Tax Refunds	(13,684)	(11,851)	(13,960)	(13,190)
MinnesotaCare Enrollee Premiums	36,577	35,552	32,152	44,386
Investment Income	15,591	20,167	13,730	11,320
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[368,675]	[380,885]	[269,704]	[309,556]
Federal Match on Administrative Costs	18,211	18,738	18,978	18,768
Total Revenues	816,246	849,905	840,455	737,315
Transfers In:				
General Fund: Laws of MN 2017, Special Session, Ch. 1	-	-	7,200	-
Total Sources	1,530,219	1,542,379	1,483,785	1,358,358
Uses				
Expenditures:				
MinnesotaCare: Direct Appropriation	8,989	21,887	26,516	96,720
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[368,675]	[380,885]	[402,806]	[544,846]
MinnesotaCare: State Share of Enrollee Premiums	36,390	35,081	32,152	44,386
Medical Assistance	385,159	438,848	586,959	602,583
Department of Human Services ²	32,869	32,489	35,497	34,855
Department of Health ²	35,707	37,246	40,807	36,832
University of Minnesota	2,157	2,157	2,157	2,157
Legislature ²	61	64	316	-
Department of Revenue	1,749	1,754	1,760	1,760
Interest on Tax Refunds	165	142	133	48
Enacted Expenditure Changes:				
Ch. 73 - Alec Smith Insulin Affordability Act	-	-	547	212
Total Expenditures	503,246	569,668	726,845	819,553
Transfers Out:				
To General Fund				
M.S. 16A.724 Subd 2(a)	122,000	122,000	122,000	122,000
Total General Fund Transfers	122,000	122,000	122,000	122,000
Special Revenue Fund: DHS Systems and Other	13,266	13,880	13,898	13,898
Premium Security Plan Account	200,750	200,000	-	-
Special Revenue Fund: MDH ITA Transfers	-	701	-	-
Total Transfers Out	336,016	336,581	135,898	135,898
Total Uses	839,262	906,249	862,743	955,451
Structural Balance	(23,016)	(56,344)	(15,087)	(218,136)
Balance	690,957	636,130	621,043	402,907

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 FY 2020 figure includes funding carried forward from previous years.