Health Care Access Fund

February 2021

Sources	Actual FY 20	Projected FY 21	Projected FY 22	Projected FY 23	Projected FY 24	Projected FY 25
Balance Forward from Prior Year	636,130	630,769	558,535	343,106	183,848	30,463
Prior Year Adjustments	587	2,010	-	-	-	-
Adjusted balance forward	636,717	632,779	558,535	343,106	183,848	30,463
Revenues:						
2%/1.8% Provider Tax	695,934	673,580	706,469	740,280	776,129	813,909
1% Gross Premium Tax	95,710	97,194	101,177	105,773	110,639	115,728
Provider and Premium Tax Refunds	(14,071)	(13,162)	(13,763)	(14,422)	(15,125)	(15,864)
MinnesotaCare Enrollee Premiums	30,816	36,410	39,211	34,545	34,713	35,106
Investment Income	15,772	4,810	3,700	2,150	870	-
MinnesotaCare: Federal Basic Health Program[1] [Non-Add]	[271,243]	[355,045]	[339,454]	[376,143]	[361,253]	[409,760]
Federal Match on Administrative Costs	15,931	17,941	17,941	17,941	17,941	17,941
Total Revenues	**840,092**	**816,773**	**854,735**	**886,267**	**925,167**	**966,820**
Transfers In: [2]						
General Fund: Laws of MN 2017, Special Session, Ch. 1	7,200	-	-	-	-	-
Total Sources	**1,484,009**	**1,449,552**	**1,413,270**	**1,229,373**	**1,109,015**	**997,283**
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	26,248	33,731	207,380	187,159	219,411	202,537
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[395,613]	[505,719]	[367,994]	[376,143]	[361,253]	[409,760]
MinnesotaCare: State Share of Enrollee Premiums	30,768	36,410	39,211	34,545	34,713	35,106
Medical Assistance	586,959	602,583	611,178	612,099	612,099	612,099
Department of Human Services [3]	36,385	38,045	38,620	39,247	39,247	39,247
Department of Health [3]	35,180	42,833	37,512	36,832	37,432	36,832
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature [3]	316	-	-	-	-	-
Department of Revenue	1,760	1,760	1,760	1,760	1,760	1,760
MNsure [3]	30	517	-	-	-	-
Board of Pharmacy	-	76	76	76	76	38
Interest on Tax Refunds	239	157	133	140	147	154
Total Expenditures	**720,042**	**758,269**	**938,027**	**914,015**	**947,042**	**929,930**
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a)	122,000	122,000	122,000	122,000	122,000	57,843
Total General Fund Transfers	122,000	122,000	122,000	122,000	122,000	57,843
Special Revenue Fund: DHS Systems and Other	11,198	10,748	10,137	9,510	9,510	9,510
Total Transfers Out	**133,198**	**132,748**	**132,137**	**131,510**	**131,510**	**67,353**
Total Uses	**853,240**	**891,017**	**1,070,164**	**1,045,525**	**1,078,552**	**997,283**
Structural Balance	(5,948)	(74,244)	(215,429)	(159,258)	(153,385)	(30,463)
Balance	**630,769**	**558,535**	**343,106**	**183,848**	**30,463**	**-**

[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] Laws 2017, chapter 13, article 1, section 15, as amended, requires the balance of the Premium Security Plan Account to be transferred to the HCAF at the end of FY 2023. As of February 2021 forecast, the ending balance in the account for FY 2023 is $105.8 million. The HCAF statement will recognize that transfer once it occurs.

[3] FY 2021 figure includes funding carried forward from previous years.

($ in thousands)

Health Care Access Fund

February 2021 Forecast Update

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.

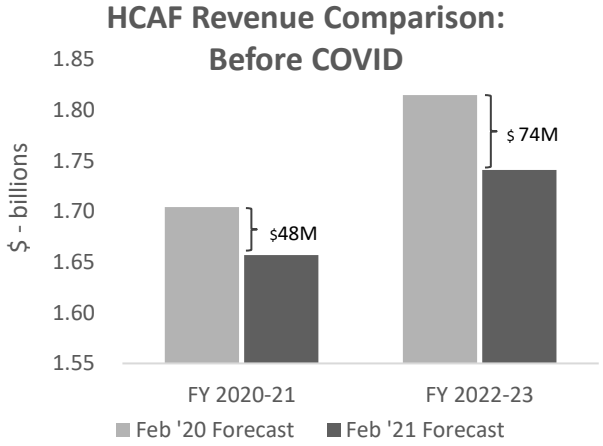
The fund covers portions of the cost of both the Medical Assistance (MA) and MinnesotaCare/Basic Health Plan (BHP) programs. Both programs are funded by a combination of state and federal resources. The portion of MinnesotaCare funded by the HCAF reflects the cost of the program not covered by federal BHP revenue or enrollees not eligible for federal BHP funding (state-only funded enrollees). The legislature sets the amount of HCAF covering MA, so this amount does not change with the forecast. The fund also pays for various agency responsibilities including administering the MinnesotaCare/BHP program, and granting resources to partners that enhance public health activities.

Change in HCAF Balance		
($ millions)	**FY 22-23**	**FY 24-25**
Prior Projected Balance	**170**	**(15)**
Change Prior Year	6	14
Revenue Increases	25	39
Expenditure Changes	17	(20)
Restored 16A Transfers	-	58
New Projected Balance	**184**	**0**

FORECAST AND FUND BALANCE CHANGES The HCAF is projected to have a balance of $559 million at the end of FY 2021. This is a $6 million (1.1 percent) increase above November estimates primarily due to stronger revenue collections in the current fiscal year.

At the end of the next biennium, the HCAF balance is estimated to be $184 million, up $14 million (8.3 percent) compared to the previous estimate. This forecast no longer anticipates a deficit at the end of FY 2025 and partially restores statutory transfers to the General Fund in the planning estimates.

Change in sources. HCAF revenues are projected to be $1.741 billion in FY 2022-23, a $25 million (1.4 percent) increase from November estimates. This increase is primarily due to stronger than expected collections in the current fiscal year and an increased growth for health care services compared previous estimates. HCAF revenues are still projected to be slightly lower than the February 2020 forecast even with the improved outlook in this forecast and November 2020.



In FY 2024-25, HCAF revenue is expected to be $1.892 billion, a $39 million (2.1 percent) increase from November forecast. Drivers of change in provider tax revenue for the FY 2022-23 biennium carry into the planning estimates.

Change in Expenditures. Total spending is projected to be $2.116 billion in FY 2022-23 (up $17 million, 0.8 percent) and $2.075 billion (up $38 million, 1.9 percent) in FY 2024-25 compared to previous forecast.

Changes in to HCAF expenditures in this forecast are directly related to changes in federal BHP revenue and spending from the BHP Trust Fund. When BHP funds are not sufficient to cover BHP expenditures, the HCAF must pay the difference. This is explained in detail on following page.

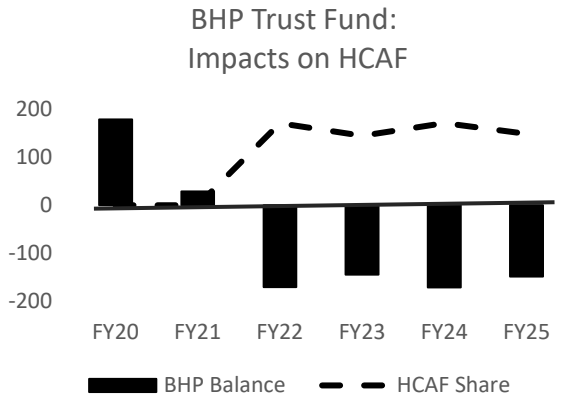
The change in HCAF revenue and expenditures creates a positive balance in the HCAF and supports a $58 million transfer increase to the General Fund in FY 2024-25 as required by current law. M.S. 16A.724 subd. 2(a) directs MMB to transfer $244 million each biennium from the HCAF to the general fund if resources exceed expenditures in the Fund.

BASIC HEALTH PROGRAM TRUST FUND

The Basic Health Program Trust Fund is an account in the state's federal fund. Federal BHP payments are deposited in the account and used to fund eligible MinnesotaCare expenses. BHP revenues are not directly tied to changes in BHP expenditures but are based on several factors including individual market premiums, enrollment, and the age and geographic distribution of program participants.

The BHP Trust Fund is now projected to have an ending balance of $29 million in FY 2021, a $10 million (26.5 percent) reduction from to previous estimate. This means all medical payments from MinnesotaCare/BHP enrollees are funded by federal BHP dollars through the end of the current biennium.

Starting in FY 2022, the BHP Trust Fund balance is projected to be zero as BHP expenditures exceed available BHP resources. This creates a funding gap that requires the HCAF share to automatically cover the difference. The graph below illustrates that relationship.



Changes in BHP Revenues. Changes to revenue and expenditures in the BHP Trust Fund directly impact the amount of HCAF share needed for the MinnesotaCare/BHP population. In this forecast, BHP revenues are expected to be $86 million lower across the forecast horizon due primarily to a more aggressive reconciliation schedule with the Centers for Medicare and Medicaid (CMS).

Federal BHP funding is provided prospectively based on projected enrollment that is later reconciled using actual enrollment data. DHS now expects to reconcile two historical quarters of federal BHP payments with each additional quarter of funding. Previous forecast assumed 1:1 ratio.

During the reconciliation process, DHS must submit data on eligible enrollees in order to justify federal BHP payments. Due to IT issues between DHS' claims payment system (MMIS) and the eligibility system (METS), DHS cannot produce sufficient demographic information to justify reimbursement on five percent of the BHP population.

The November 2019 forecast first recognized the "mis-match rate" in unreconciled years through CY 2020. This forecast extends the five percent mis-match to all future unreconciled quarters with the increased frequency of reconciled quarters beyond CY 2020.

Changes to BHP Expenditures. Total BHP expenditures are expected to be $91 million lower across the forecast horizon compared to previous forecast. This is primarily due to another IT system error which incorrectly classified some BHP enrollees as Childless Adults instead of Parents. The state pays a higher capitation payment each month for Childless Adults compared to Parents.

In March 2020, this system defect was discovered and a subsequent fix was developed and implemented in the fall of the same year. This forecast adjusts for the reclassification and lower capitation payment moving forward. That correction lowers expected BHP expenditures by $105 million across the forecast horizon.

The reduction in anticipated expenditures is partially offset by the likely extension of the federal Public Health Emergency (PHE) declaration through calendar 2021. This extension is supported by a letter from the Acting Secretary of Health and Human Services indicating this intention. The extension of the PHE adds six months of suspending disenrollment to this forecast and increases spending by $23 million, of which $8 million is projected to be funded from HCAF.

Basic Health Program Trust Fund

$ - millions

	FY22	**FY23**	**FY24**	**FY25**
Beginning Balance	29	0	0	0
Revenue	339	376	361	410
Net Expenditures	539	521	533	559
Balance/(Shortfall)	(171)	(145)	(172)	(149)
HCAF Share	**171**	**145**	**172**	**149**
Change	8	8	1	(21)