

# Premium Security Plan Account

February 2021 Update

**PURPOSE OF ACCOUNT** – The Premium Security Plan was created by the 2017 legislature to provide reinsurance payments to health insurers, to help cover the cost of high claims in the individual market. These payments are intended to reduce premiums and to promote affordable health insurance for Minnesotans. The Minnesota Comprehensive Health Association (MCHA) administers the program, and the Department of Commerce serves as the fiscal agent for state appropriations directed to the program. The program was originally authorized to operate for two years (2018 and 2019). The 2019 legislature authorized a two-year extension through plan years 2020 and 2021. The projected balance in FY 2023 is \$106 million, a decrease of \$14 million (11.7 percent) from the estimate in the November Forecast. Any state funds remaining in the account on June 30, 2023 will be returned to the health care access fund.

**PRIMARY SOURCES** – Approximately \$543 million was appropriated from state sources for the program in FY 2018-19. This includes \$142 million in transfers from the general fund and about \$401 million from the health care access fund. In addition, \$39 million in FY 2017 and \$3 million in FY 2018 were transferred to the state treasury from the existing balance at MCHA. Federal funds are available through a 1332 waiver authorized in October 2017 are estimated to total \$379 million for plan years 2018 through 2021. Anticipated federal funding for plan year 2021 is \$8 million (9.7 percent) lower than November 2020 estimates based on a recent CMS communication. This forecast also reflects reduced interest earnings as a result of lower rates in recent months.

**PRIMARY USES** – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan. Reinsurance payments for plan year 2020 (made in FY 2021) are anticipated to be \$165 million, an increase of \$2 million (1.2 percent) relative to previous estimate. Payments for plan year 2021 (made in FY 2022) remain unchanged from previous forecast and are expected to be \$190 million.

## PREMIUM SECURITY PLAN ACCOUNT BALANCE

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Balance Forward From Prior Year</b>	<b>38,547</b>	<b>314,078</b>	<b>592,238</b>	<b>536,744</b>	<b>215,455</b>	<b>104,543</b>
Prior Year Adjustments				644		
<i>Adjusted Balance Forward</i>	<i>38,547</i>	<i>314,078</i>	<i>592,238</i>	<i>537,388</i>	<i>215,455</i>	<i>104,543</i>
Transfers from the General Fund	71,000	71,000				
Transfers from the Health Care Access Fund	200,750	200,000				
MCHA Balance Transfer In	3,236		141			
Federal Pass-Through <sup>1</sup>		130,720	84,758	86,064	77,757	
Interest Income	1,045	13,157	10,332	5,344	2,218	1,304
<b>Total Sources</b>	<b>314,578</b>	<b>728,955</b>	<b>687,469</b>	<b>628,796</b>	<b>295,430</b>	<b>105,847</b>
MCHA						
Expenditures	500	592	420	549	487	62
Reinsurance Payments		136,125	150,305	165,792	190,400	
19, SS1, Ch. 9 - transfer to General Fund				142,000		
20, SS5, Ch. 3 - transfer to General Fund				105,000		
<b>Balance</b>	<b>314,078</b>	<b>592,238</b>	<b>536,744</b>	<b>215,455</b>	<b>104,543</b>	<b>105,785</b>

**RELATIONSHIP TO OTHER STATE PROGRAMS** – The Premium Security Plan lowers the cost of health insurance on the individual market from what it would be otherwise. Decreases in individual market rates also reduces federal funding the state receives to operate its Basic Health Program (MinnesotaCare) for individuals between 138 and 200 percent of the federal poverty level. As such, the duration and magnitude of the Premium Security Program impacts how much funding is available for MinnesotaCare.

<sup>1</sup> [The Minnesota Section 1332 State Innovation Waiver and federal funding estimates are posted here:](https://www.cms.gov/ccio/programs-and-initiatives/state-innovation-waivers/section_1332_state_innovation_waivers-)