

Premium Security Plan Account

Governor's Budget Recommendations

January 2023

PURPOSE OF ACCOUNT – The Premium Security Plan was created by the 2017 legislature to provide reinsurance payments to health insurers to help cover high-cost claims in the individual market. These payments are intended to reduce premiums and result in more 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 to the program.

SOURCES – Revenues to the fund include federal payments made possible through a State Innovation Waiver under Section 1332 of the Affordable Care Act. The waiver and conforming state law are currently in place through plan year 2027. Payments are determined by the U.S. Treasury Department. An initial investment of \$543 million was appropriated from the state's general fund and health care access funds, and \$247 million was subsequently returned to the general fund through legislative action. Additional transfers from the general fund of \$300 million and \$229 million, in fiscal years 2023 and 2025, respectively, were authorized by the 2022 Legislature. Any state funds remaining in the Premium Security Plan Account on June 30, 2029, will be returned to the health care access fund.

USES – Expenditures in this account represent grants to MCHA for reinsurance payments and the operational costs of the Minnesota Premium Security Plan.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS –Prior to calendar year 2023, the impact of the Premium Security plan was to lower the cost of health insurance on the individual market thus reducing benchmark premiums used to calculate federal Basic Health Program (BHP) funding. BHP funding helps support MinnesotaCare, a program serving individuals between 138 and 200 percent of the federal poverty level. However, in May 2022, the federal government issued an interim final rule changing the Basic Health Program funding formula for future years. These changes attempt to hold states harmless for operating a reinsurance program by modeling Basic Health Program funding as if a state did not operate a reinsurance program.

GOVERNOR'S RECCOMENDATION

The Governor recommends a transfer of \$205 million from the Premium Security Plan Account to the general fund in fiscal year 2026. The extension of the program in Laws of Minnesota 2022, Chapter 44 provided sufficient funding to operate the Premium Security Plan through plan year 2025. The November 2022 forecast increased anticipated federal pass-through funding, reducing state liabilities for plan years 2023 through 2025. This recommendation returns funds not forecast to be used through plan year 2025 to the general fund.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

<i>in thousands</i>	Actual FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Balance Forward From Prior Year	217,826	165,759	400,784	289,235	377,991	712
Prior Year Adjustments						
<i>Adjusted Balance Forward</i>	<i>217,826</i>	<i>165,759</i>	<i>400,784</i>	<i>289,235</i>	<i>377,991</i>	<i>712</i>
Transfers from the General Fund		300,092		229,465		
Transfers from the Health Care Access Fund						
MCHA Balance Transfer In						
Federal Pass-Through	142,727	91,110	121,480	121,480	121,480	0
Interest Income	859	3,384	5,041	4,420	4,442	
Total Sources	361,412	560,345	527,305	644,600	503,913	712
MCHA Expenditures	397	542	602	645	691	712
Reinsurance Payments	189,308	159,019	237,468	265,964	297,880	0
19, SS1, Ch. 9 - transfer to General Fund						
20, SS5, Ch. 3 - transfer to General Fund						
21, SS1, Ch. 15 - transfer to HCAF	5,948					
GOV REC: Transfer To The General Fund					204,630	
Total Uses	195,653	159,561	238,070	266,609	503,201	712
Balance	165,759	400,784	289,235	377,991	712	0