

Health Care Access Fund

February 2023 Forecast

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 2.0 percent. In addition, revenue to the fund includes a 1.0 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 enrollee-paid premiums, and the cost of enrollees not eligible for federal BHP funding (state-only funded enrollees). The legislature appropriates the amount of MA expenditures funded by the HCAF, 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	FY 26-27
November 2022 Balance	926	958	1,552
Prior Year Changes		18	53
Revenue Increases	11	37	20
Expenditure Changes	(7)	2	10
February 2023 Balance	944	1,011	1,615

FORECAST AND FUND BALANCE CHANGES The HCAF is expected to have a balance of \$944 million at the end of the current biennium, an increase of \$18 million (1.9 percent) from the November forecast.

At the end of the FY 2024-25 biennium, the balance is expected to be \$1.011 billion, up \$53 million (5.2 percent) from the November forecast, primarily due to an increase in revenue. In the FY 2026-27 biennium, the ending balance is \$1.615 billion, an increase of \$63

million (4.0 percent) from the November forecast and is largely attributable to changes in prior fiscal years.

Change in Sources. HCAF revenues and transfers in are projected to be \$1.890 billion in FY 2022-23, an \$11 million (0.5 percent) increase from the November 2022 forecast due to higher interest earnings, as a result of higher interest rates.

In the FY 2024-25 biennium, revenues are estimated to be \$1.946 billion, up \$37 million (1.9 percent) from the November forecast. This is equally explained by two factors, increased interest earnings and stronger forecast premium tax collections. Increased premium tax collections are due to larger than expected current year tax collections which increases growth in future tax collection estimates.

In the FY 2026-27 biennium, revenues are forecast to be \$2.208 billion, an increase of \$20 million (0.9 percent) from the November forecast. Revenues in this biennium are increased due to the continued impact of higher gross premium tax collections in the current year which increase future collection projections.

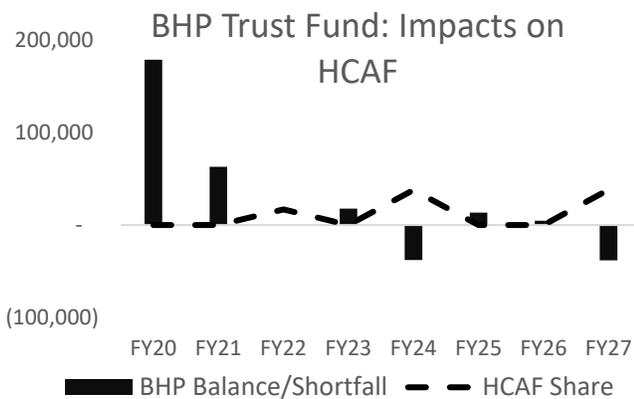
Change in Expenditures. Total spending is projected to be \$1.498 billion in FY 2022-23, a decrease of \$7 million (0.5 percent) compared to the November forecast. In FY 2024-25 spending is estimated to be \$1.879 billion, an increase of \$2 million (0.0 percent), and in FY 2026-27 spending is estimated to be \$1.604 billion, an increase of \$10 million (0.7 percent) from the November forecast.

Changes in spending are primarily explained by changes in federal funding for Basic Health Plan enrollees. As the balance in the trust fund changes, state expenditures on this population are impacted. This is explained in greater detail in the Basic Health Program Trust Fund section on the next page.

BASIC HEALTH PROGRAM TRUST FUND

Federal BHP payments are deposited in the BHP Trust Fund and used to fund eligible MinnesotaCare expenses. Federal BHP funding is not directly tied to changes in BHP expenditures but is instead based on several factors, including individual market premiums, enrollment, and the age and geographic distribution of program participants.

When revenues and the balance in the trust fund exceed medical payments, the health care access fund does not contribute to paying BHP expenses. However, as the American Rescue Plan Act’s enhanced premium tax credits expire at the end of calendar year 2025, the state loses that additional BHP revenue, resulting in the HCAF share of BHP expenses returning in fiscal year 2027. Whenever there is a zero balance in the trust fund, the difference between expenditures and revenues results in the HCAF share of the BHP program.



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 the FY 2022-23 biennium, BHP revenues are expected to decrease \$21 million (1.8 percent) from the November 2022 forecast. In the FY 2024-25 biennium, BHP revenues are forecast to decrease \$106 million (8.8 percent) from the November 2022 forecast. In the FY 2026-27 biennium, BHP revenues are expected to decrease (8.9 percent) from the November 2022 forecast. These changes are primarily explained by decreased MinnesotaCare enrollment. In recent months, around 7,000 MinnesotaCare enrollees were determined eligible for MA and transitioned to MA coverage. This forecast assumes this transition is ongoing. The loss of these enrollees reduces the amount of BHP revenue the state receives because the state no longer receives their tax credits.

As explained in detail in the next section, caseload changes are offset by reduced expenditures on health care claims.

Additionally, BHP funding is reduced by about \$30 million over the forecast horizon because CMS has finalized the reinsurance factor in the BHP formula. This formula was not published in November, and this forecast updates the formula to reflect the final methodology.

Changes to BHP Expenditures

In the current biennium, expenditures from the BHP Trust Fund are forecast to decrease \$46 million (6.9 percent) from the November forecast. Expenditures are expected to decrease \$75 million (6.1 percent) in the FY 2024-25 biennium and \$95 million (8.5 percent) in the FY 2026-27 biennium, compared to the November forecast. Changes in expenditures are connected to the reductions in revenue. As the state has fewer BHP eligible enrollees, the amount of revenue the state receives decreases. However, as the number of enrollees decreases the number of medical payments the state makes also decreases. The loss of BHP revenue occurs in similar proportions to reduced expenditures on medical payments.

Basic Health Program Trust Fund

\$ - millions

	FY22-23	FY24-25	FY25-26
Beginning Balance	63	18	14
Revenue	1,144	1,103	1,072
Net Expenditures	1,206	1,146	1,124
Balance/(Shortfall)	(15)	38	(38)
HCAF Share	17	38	38
<i>Change</i>	(7)	4	18

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Sources	Actuals FY 22	Projected FY 23	Projected FY 24	Projected FY 25	Projected FY 26	Projected FY 27
Balance Forward from Prior Year	551,558	663,547	944,209	748,104	1,010,905	1,313,229
Prior Year Adjustments	1,280	-	-	-	-	-
Adjusted balance forward	552,838	663,547	944,209	748,104	1,010,905	1,313,229
Revenues:						
2%/1.8% Provider Tax [1.6% in CY 23]	787,926	751,462	757,124	848,641	883,753	919,082
1% Gross Premium Tax	122,708	138,390	145,902	153,301	160,813	168,417
Provider and Premium Tax Refunds	(40,484)	(24,054)	(18,627)	(21,019)	(22,163)	(23,137)
MinnesotaCare Enrollee Premiums	6,152	5,885	5,329	4,889	19,332	34,771
Investment Income	3,387	19,311	18,735	17,853	18,077	15,114
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[542,893]	[601,430]	[532,263]	[571,116]	[545,308]	[526,823]
Federal Match on Administrative Costs	17,049	17,049	17,049	17,049	17,049	17,049
Total Revenues	896,738	908,043	925,512	1,020,714	1,076,861	1,131,296
Transfers In: ²						
General Fund: Laws of MN 2021, Special Session, Ch. 7	79,101					
Premium Security Plan Acct: Laws of MN 2021, Special Session, Ch. 7	5,948					
Total Sources	1,534,625	1,571,590	1,869,721	1,768,818	2,087,766	2,444,525
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	55,074	44,315	85,007	47,148	48,718	88,801
MinnesotaCare: Federal Basic Health Program Expenditures[Non-Add]	[575,436]	[614,208]	[550,114]	[557,588]	[554,218]	[569,744]
MinnesotaCare: State Share of Enrollee Premiums	6,152	5,885	5,329	4,889	19,332	34,771
Medical Assistance	602,596	353,265	869,524	612,099	612,099	612,099
Department of Human Services ³	35,218	43,978	39,308	39,308	39,308	39,308
Department of Health ³	34,645	43,561	38,385	40,644	41,244	40,644
University of Minnesota Legislature ³	2,157	2,157	2,157	2,157	2,157	2,157
Department of Revenue	1,756	1,764	1,760	1,760	1,760	1,760
MNsure ³	72	347	-	-	-	-
Board of Pharmacy		152	76	38	-	-
Interest on Tax Refunds	1,271	447	346	360	409	429
Total Expenditures	738,941	495,871	1,041,892	748,403	765,027	819,969
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a) ^{4,5}	122,000	122,000	70,215			
Total General Fund Transfers	122,000	122,000	70,215	-	-	-
Special Revenue Fund: DHS Systems and Other	10,137	9,510	9,510	9,510	9,510	9,510
Special Revenue Fund: MDH ITA Transfers	-	-	-	-	-	-
Total Transfers Out	132,137	131,510	79,725	9,510	9,510	9,510
Total Uses	871,078	627,381	1,121,617	757,913	774,537	829,479
Structural Balance	110,709	280,662	(196,105)	262,801	302,324	301,817
Balance	663,547	944,209	748,104	1,010,905	1,313,229	1,615,046

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 by Laws 2022, Chapter 44, Section 5 requires, requires the balance of the Premium Security Plan Account to be transferred to the HCAF at the end of FY 2029. The HCAF statement will recognize that transfer once it occurs.

³ FY 2023 figure includes funding carried forward from previous years.

⁴ Laws 2021, Special Session 1, chapter 7, article 1, Sec. 40, paragraph (b) as amended by Laws 2022, Chapter 44, Sec. 6, repeals this transfer starting in FY 2025.

⁵ Laws 2022, Chapter 44, Section 1 limits the amount to be transferred from the HCAF to the general fund at \$70.215 million in fiscal year 2024.

