

Premium Security Plan Account

Governor's Revised Recommendations

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 as a result of the program's extension. 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 lowering the cost of health insurance on the individual market decreased market rates used to calculate the Basic Health Program (MinnesotaCare) funding the state received for individuals between 138 and 200 percent of the federal poverty level. In December 2022, the federal government finalized a 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.

FORECAST AND FUND BALANCE CHANGES

The Governor recommends a transfer of \$275.775 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. Forecast change since passage of this law has increased anticipated federal funding for the program, and other forecast changes have reduced 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.

This recommendation has been repriced to reflect the February forecast change and a larger balance in the account at the end of fiscal year 2026.

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	412,700	319,162	427,418	739
Prior Year Adjustments						
<i>Adjusted Balance Forward</i>	<i>217,826</i>	<i>165,759</i>	<i>412,700</i>	<i>319,162</i>	<i>427,418</i>	<i>739</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	
Interest Income	859	6,181	9,435	8,669	9,106	
Total Sources	361,412	563,142	543,615	678,776	558,004	739
MCHA Expenditures	397	542	602	645	691	739
Reinsurance Payments	189,308	149,900	223,851	250,713	280,799	
19, SS1, Ch. 9 - transfer to General Fund						
20, SS5, Ch. 3 - transfer to General Fund						
21, SS1, Ch. 15 - transfer to Health Care Access Fund	5,948					
GOVERNOR'S REC: Transfer To The General Fund					275,775	
Total Uses	195,653	150,442	224,453	251,358	557,265	739
Balance	165,759	412,700	319,162	427,418	739	0