MN HOUSE RESEARCH

MinnesotaCare

November 2023

Overview

MinnesotaCare is a program that provides subsidized health coverage to eligible Minnesotans. It is administered by the Minnesota Department of Human Services under federal guidance as a Basic Health Program under the Affordable Care Act. This publication describes eligibility requirements, covered services, and other aspects of the program.

Contents

Administration

MinnesotaCare is administered by the Minnesota Department of Human Services (DHS) as a Basic Health Program (BHP), a state coverage option authorized by the federal Affordable Care Act (ACA). DHS, in cooperation with MNsure, the state's health insurance exchange, is responsible for processing applications and determining eligibility for MinnesotaCare. DHS is also responsible for contracting with participating entities for the provision of MinnesotaCare services, complying with federal BHP requirements, and submitting an annual report to the federal government documenting compliance with these requirements.

The federal government is responsible for certifying state BHPs, ensuring state compliance with federal laws, regulations, and guidance related to the BHP, and reviewing state compliance at least annually.

Applicants can apply for MinnesotaCare coverage online through the Minnesota eligibility system, defined in Minnesota Statutes, section 62V.055, subdivision 1, and also referred to as the Minnesota Eligibility Technology System (METS).[1] Paper applications may also be submitted,

[1] In addition to being used for MinnesotaCare eligibility determination, METS is used by county human service agencies to determine MA eligibility for families and children, pregnant women, and adults without children.

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and application assistance is available from county agencies, community organizations serving as navigators, and other entities.

MinnesotaCare as Basic Health Program

The MinnesotaCare program has operated as a BHP since January 1, 2015. (Minn. Stat. § 256L.02, subd. 5) In compliance with federal requirements for a BHP, MinnesotaCare provides health coverage to persons with incomes greater than 133 percent but not exceeding 200 percent of Federal Poverty Guidelines (FPG). States operating a BHP (Minnesota and New York) receive a federal payment under that program intended to reflect the amount the federal government would otherwise spend on subsidies had the BHP enrollees received coverage through the state's insurance exchange. BHP coverage must include at least the essential health benefits included in qualified health plans that are offered through the state's insurance exchange. Premiums for a BHP enrollee must not exceed the amount the enrollee would otherwise pay for qualified health plan coverage through the exchange, after application of advanced premium tax credits.

MinnesotaCare as a Potential Public Option

The 2023 Legislature directed the Commissioner of Human Services to contract for actuarial and economic analyses of different public option models, including a MinnesotaCare public option. The Commissioner of Commerce is required to report to the legislature, by February 1, 2024, on the results of these analyses, other specified information, and a final recommendation and implementation plan for a public option. The Commissioner of Commerce is authorized to submit a section 1332 waiver[2] application to the federal government based on the final recommendation if the legislature, by June 1, 2024, does not enact a law modifying the final recommendation or modifying the commissioner's authority to submit the waiver application. The Commissioner of Commerce, upon receipt of a federal waiver and the enactment of any necessary legislation, is directed to implement a public option beginning January 1, 2027. (Laws 2023, ch. 70, art. 16, §§ 20 to 22)

Eligibility Requirements

To be eligible for MinnesotaCare, individuals must meet income limits, not be eligible for MA, and satisfy other requirements related to residency and lack of access to other health insurance. MinnesotaCare eligibility is renewed on a calendar-year basis, with eligibility redeterminations for coverage for a coming calendar year occurring at the end of the previous calendar year, during the annual MNsure open enrollment period for qualified health plan coverage. (Minn. Stat. § 256L.05, subd. 3a)

[2] Section 1332 of the Affordable Care Act (ACA) allows states to apply for state innovation waivers to implement innovative strategies to provide residents with access to high-quality, affordable health insurance that meet the coverage, cost-sharing, affordability, and other standards of the ACA. Waivers must be approved by the U.S. Department of Health and Human Services and the Department of the Treasury, and must not increase the federal deficit.

Most MinnesotaCare enrollees are parents and caretakers, children ages 19 to 20, and adults without children. Most children under age 19 and pregnant women are eligible for Medical Assistance (MA) and therefore, under MinnesotaCare eligibility criteria, are not eligible for MinnesotaCare.

Income Limits

MinnesotaCare coverage is available to persons with incomes greater than 133 percent of FPG but not exceeding 200 percent of FPG, if other program eligibility requirements are met. (Minn. Stat. § 256L.04, subds. 1, 7) Certain groups of individuals with incomes that are below the MinnesotaCare income floor may be eligible for the program, if they are legal noncitizens not eligible for MA due to immigration status[3] or are not eligible for MA due to excess income.[4]

Table 1 lists the minimum and maximum program income limits for different family sizes.

Table 1
Annual Household Income Limits for MinnesotaCare
(For CY 2023 Coverage)

Household Size	133% of FPG	200% of FPG
1	$19,391	$27,180
2	26,227	36,620
3	33,063	46,060
4	39,900	55,500
Each additional person add	6,836	9,440

Note: Federal regulations require that states use the FPG figures that applied during open enrollment to determine eligibility for coverage in the coming calendar year. The FPG figures in this table used to determine eligibility for 2023 coverage are therefore based on the 2022 FPG figures.

[3] See Minnesota Statutes, section 256L.04, subdivision 10, paragraph (b). These lawfully present noncitizens are generally nonpregnant adults falling under certain immigration classifications who have resided in the United States for less than five years.

[4] These are generally groups of individuals with incomes greater than the MA income limit but less than the MinnesotaCare income floor, due to differences in how the two programs calculate income. The groups include children under age 19 living with two unmarried parents, persons with lump sum or sponsor income, or persons whose current income (used under MA) differs from projected income (used under MinnesotaCare).

Modified adjusted gross income (MAGI)[5] is the income methodology used to determine eligibility for MinnesotaCare applicants and enrollees. The use of MAGI is required by the ACA for state basic health programs.

Asset Limits

There are no asset limits for MinnesotaCare enrollees.

Not Eligible for Medical Assistance (MA)

Persons who are eligible for MA are not eligible for MinnesotaCare. (Minn. Stat. § 256L.04, subd. 17) This means that the vast majority of pregnant women and children under age 19 are covered under MA rather than MinnesotaCare, since the MA income limit for these eligibility groups (278 percent and 275 percent of FPG respectively) is higher than the MinnesotaCare income limit (200 percent of FPG).

No Access to Subsidized Health Coverage

To be eligible for MinnesotaCare, a family or individual must not have *access* to employer-subsidized health coverage that is affordable and provides minimum value, as defined in federal regulations and state law.[6] Coverage is defined as "affordable" for an employee and dependents if the portion of the annual premium the employee must pay for both employee and dependent coverage does not exceed 8.39 percent of income for 2024.[7] Coverage provides "minimum value" if it pays for at least 60 percent of medical expenses on average.

A family or individual is not eligible for MinnesotaCare if they are *enrolled* in employer-subsidized coverage, even if this coverage does not meet the affordability and minimum value standards.

No Other Health Coverage

To be eligible for MinnesotaCare, a family or individual must not be *enrolled* in minimum essential health coverage, as defined in the Internal Revenue Code. (Minn. Stat. § 256L.07, subd. 3) The Internal Revenue Code defines minimum essential coverage as coverage under government-sponsored programs (including but not limited to Medicare, Medicaid, TRICARE, and other coverage for members of the armed services, and veterans health benefits), coverage

[5] MAGI is defined as adjusted gross income increased by: (1) foreign earned income and foreign housing expenses; (2) tax-exempt interest; and (3) an amount equal to the value of Social Security benefits not subject to tax. (I.R.C. § 36B)

[6] See Code of Federal Regulations, title 26, section 1.36B-2 and Minnesota Statutes section 256L.07, subdivision 2.

[7] This percentage is indexed annually; the percentage for 2023 used by DHS was 9.12. This definition of affordability took effect January 1, 2023. Prior to this date, affordability was based on what the employee would pay for self-only coverage and did not take into account the cost of covering any dependents. This was sometimes referred to as the "family glitch."

under an employer-sponsored plan, individual market coverage, coverage under a grandfathered health plan,[8] and other coverage recognized by the federal government.

A family or individual is also not eligible for MinnesotaCare if they have *access* to certain types of minimum essential coverage, even if they are not enrolled.

Residency and Citizenship Requirements

MinnesotaCare enrollees must meet the residency requirements of the Medicaid program. (Minn. Stat. § 256L.09, subd. 2) The Medicaid program generally requires an individual to live in Minnesota and demonstrate intent to reside in the state, or to have entered the state with a job commitment or to seek employment. The Medicaid program does not include a durational residency requirement (a requirement that an individual live in a state for a specified period of time before applying for the program).

MinnesotaCare enrollees must be U.S. citizens, U.S. nationals, lawfully present noncitizens, or Deferred Action for Childhood Arrivals (DACA) grantees; undocumented noncitizens are not currently eligible for the program. However, beginning January 1, 2025, undocumented noncitizens will be eligible for MinnesotaCare.[9]

Benefits

MinnesotaCare covers most, but not all, services eligible for reimbursement under MA. Children under age 19 are covered for a wider range of services than adults who are not pregnant. (Minn. Stat. § 256L.03) Covered services are listed in Table 2.

Table 2
Covered Services under MinnesotaCare

Service	Children	Adults who are not pregnant
Acupuncture	X	X
Adult mental health rehab/crisis	X	X
Alcohol/drug treatment	X	X
Child and teen checkups	X	—
Chiropractic	X	X
Dental	X	X

[8] Under the ACA, most health insurance plans that existed on March 23, 2010, are eligible for grandfathered status. Grandfathered plans do not have to meet all of the ACA requirements related to the regulation of health insurance. However, grandfathered status is lost and compliance with the ACA is required, if significant changes are made to the plan's benefits or premiums and cost-sharing.

[9] Laws 2023, ch. 70, art. 16, § 15 (amending Minn. Stat. § 256L.04, subd. 10).

Service	Children	Adults who are not pregnant
Emergency room	X	X
Eye exams	X	X
Eyeglasses	X	X
Family planning	X	X
Hearing aids	X	X
Home care	X	X
Hospice care	X	X
Hospital stay	X	X
Hospital care coordination	X	X
Immunizations	X	X
Interpreters (hearing, language)	X	X
Lab, X-ray, diagnostic	X	X
Medical equipment and supplies	X	X
Mental health	X	X
Mental health case management	X	X
Nursing facility care	X	—
Outpatient surgical center	X	X
Personal care assistance (PCA)	X	—
Physicians and clinics	X	X
Physicals/preventive care	X	X
Prescriptions	X	X
Rehabilitative therapies	X	X
Transportation: emergency	X	X
Transportation: nonemergency	X	—

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Cost-sharing for Adults

Adults who are not pregnant are subject to the following cost-sharing requirements.[10]

Table 3
Cost-sharing Requirements under MinnesotaCare
as of January 1, 2023

Service	Cost
Inpatient hospital admission	$250
Emergency room visit (that does not result in an admission)	$100
Nonpreventive office visit (does not apply to mental health services)	$30
Radiology visit	$45
Eyeglasses	$25
Prescription drugs (generic/brand name – does not apply to certain mental health drugs); out-of-pocket maximum of $70/month	$10/$35
Nonroutine dental services visit	$15

Children under age 21 and American Indians are not subject to cost-sharing under MinnesotaCare. (Minn. Stat. § 256L.03, subd. 5)

In addition, certain services are exempt from cost-sharing. For example, the 2023 Legislature exempted the following services from cost-sharing, beginning January 1, 2024: additional diagnostic services or testing following a mammogram, drugs used for tobacco and nicotine cessation, and certain medications used for the prevention or treatment of the human immunodeficiency virus (HIV).[11]

Enrollee Premiums

Sliding Premium Scale

MinnesotaCare enrollees age 21 and older generally pay monthly, per-person premiums based upon the sliding scale specified in Table 4. However, the 2023 Legislature waived

[10] The dollar amounts for MinnesotaCare cost-sharing are not specified in statute. Instead, the commissioner is required to adjust MinnesotaCare cost-sharing in a manner sufficient to maintain the actuarial value of the MinnesotaCare benefit at 94 percent. (Minn. Stat. § 256L.03, subd. 5.) Actuarial value is an estimate of the percentage of medical expenses incurred by a typical enrollee that will on average be paid by the insurer.

[11] Laws 2023, ch. 70, art. 1, § 39 (amending Minn. Stat. § 256L.03, subd. 5).

MinnesotaCare premiums for all enrollees for the period of May 1, 2023, through June 30, 2024. (Laws 2023, ch. 22, § 2)

The premiums for 2021 through 2025, for periods when they are not waived, are lower than the premiums applied in 2020.[12] This premium reduction was necessary for the state to comply with the federal requirement that BHP premiums not exceed what an individual receiving premium tax credits would otherwise have paid, after receipt of any premium tax credits, when purchasing health coverage through a state's insurance exchange.[13]

Table 4
Sliding Premium Scale

Federal Poverty Guidelines	Individual Premium Amount 2020	Individual Premium Amount 2021 through 2025
0 – 34%	0	0
35 – 54%	$4	0
55 – 79%	$6	0
80 – 89%	$8	0
90 – 99%	$10	0
100 –109%	$12	0
110 – 119%	$14	0
120 – 129%	$15	0
130 – 139%	$16	0
140 – 149%	$25	0
150 – 159%	$37	0
160 – 169%	$44	$4
170 – 179%	$52	$9
180 – 189%	$61	$15
190 – 199%	$71	$21
200%	$80	$28

See Minn. Stat. § 256L.15, subd. 2

[12] The 2020 premiums are specified in section 256L.15, subdivision 2, paragraph (d). Paragraph (e) of this subdivision requires the commissioner to adjust MinnesotaCare premiums to ensure that enrollees do not pay more than they would if they were to receive premium tax credits.

[13] The federal American Rescue Plan of 2021 increased premium tax credits for 2021 and 2022 and thereby reduced the amount that individuals receiving premium tax credits would pay for coverage through an exchange; the Inflation Reduction Act of 2022 (Pub. Law No. 117-169) extended the higher premium tax credits for 2023 through 2025).

Premium Exemptions

The following groups of individuals are exempt from MinnesotaCare premiums, for periods during which premiums are not waived for all enrollees:

- Persons with household income less than 160 percent of FPG (exemption applies for 2021 through 2025)
- Children under age 21
- American Indians and Alaska Natives, and members of their households
- Members of the military and their families who are determined eligible for MinnesotaCare within 24 months of the end of the member's tour of active duty

Nonpayment of Premiums

The commissioner is prohibited from collecting unpaid MinnesotaCare premiums for any coverage month that occurred during the federal COVID-19 public health emergency, which ended May 11, 2023.[14]

In general, for time periods that do not fall within the federal public health emergency, nonpayment of premiums results in disenrollment from MinnesotaCare coverage, effective the calendar month following the month for which the premium was due. Persons who end their MinnesotaCare coverage therefore receive a "grace" month. Persons who decide to re-enroll in MinnesotaCare following disenrollment generally must pay premiums to cover this grace month, except that no premium for the grace month is required for persons re-enrolling in coverage that begins in the fourth month following disenrollment.

Prepaid MinnesotaCare

The Commissioner of Human Services contracts on a prepaid basis with participating entities to deliver health care services to MinnesotaCare enrollees. Participating entities may include health maintenance organizations and other health carriers, county-based purchasing plans, certain accountable care organizations and county-integrated health care delivery networks, and networks of health care providers (see definition in Minn. Stat. § 256L.01, subd. 7).

Most MinnesotaCare enrollees receive health care services from these participating entities, rather than through a fee-for-service system.[15] Participating entities receive a capitated payment from DHS for each MinnesotaCare enrollee, and in return are required to provide enrollees with all covered health care services for a set period of time. The ACA requires

[14] See Laws 2021, First Special Session chapter 7, article 1, section 36, paragraph (a). These premiums will not be owed or collected following the end of the federal emergency.

[15] MinnesotaCare services are delivered through fee-for-service only in limited circumstances—e.g., to Deferred Action for Childhood Arrivals grantees (see text that follows), to comply with decisions related to DHS appeals that require retroactive coverage, or in cases of agency or technology system errors. Undocumented noncitizens will also receive services through fee-for-service, once these individuals are eligible for MinnesotaCare beginning January 1, 2025.

MinnesotaCare, as a BHP, to offer enrollees a choice of at least two participating entities in each county.

DHS uses a competitive procurement process to contract with participating entities to serve MinnesotaCare and MA enrollees in different regions of the state. In the latest round of contracting, DHS in January 2022 issued a request for proposals to serve MinnesotaCare and MA enrollees in greater Minnesota beginning in calendar year 2023.

Funding and Expenditures

The state receives a federal BHP payment for each MinnesotaCare enrollee. The payment was initially equal to 95 percent of the advanced premium tax credits and cost-sharing reductions the person would have received through MNsure, the state's health insurance exchange, had the state not operated MinnesotaCare as a BHP. The payment methodology has since been modified to include an adjustment factor to reflect the federal government ending direct reimbursement to insurers for cost-sharing reductions, and an additional adjustment factor related to operation of Minnesota's reinsurance program.[16] This BHP payment has replaced the federal match that had been received through December 31, 2014, for MinnesotaCare enrollees under the Prepaid Medical Assistance Project Plus (PMAP+) waiver.[17] Federal BHP funding was $575.4 million for fiscal year 2022 and is projected to be $614.2 million for fiscal year 2023.

State-only funding is used to pay for coverage of MinnesotaCare enrollees who are Deferred Action for Childhood Arrivals (DACA) grantees, or are age 65 and over and not eligible for Medicare.[18] State-only funding will also be used to pay for coverage of MinnesotaCare enrollees who are undocumented noncitizens, once these individuals are eligible for MinnesotaCare beginning January 1, 2025.

[16] The two adjustment factors result in increased BHP payments to Minnesota, and are intended to offset reductions in state BHP funding that would otherwise have occurred as a result of: (1) the federal government, beginning in calendar year 2018, excluding cost-sharing reductions from the BHP payment calculation; and (2) reductions in the value of the premium tax credits used in the BHP payment calculation (this is a result of the reinsurance program reducing benchmark premiums; premium tax credit amounts generally decrease as benchmark premiums are reduced).

[17] The Prepaid Medical Assistance Project Plus or PMAP+ waiver was initially approved by the federal government in April 1995. The waiver exempts Minnesota from various federal requirements and gives the state greater flexibility to expand access to health care through the MA program. Earlier versions of the waiver allowed the state to receive a federal match for the cost of services provided to MinnesotaCare enrollees. The PMAP+ waiver was temporarily extended by the federal Centers for Medicare and Medicaid Services (CMS) through September 30, 2023, to allow the state and CMS to continue to work on a waiver extension.

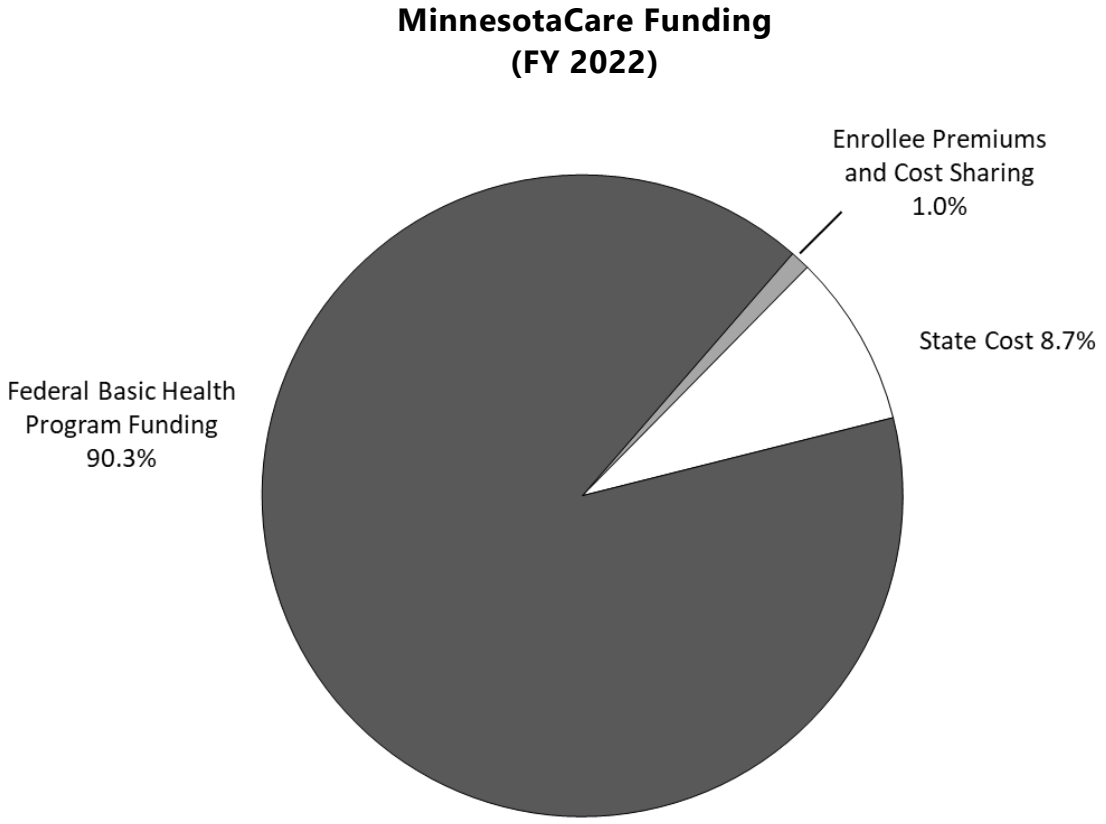
[18] DACA grantees are noncitizens who came to the United States as children and meet specified criteria such as having arrived in the United States before turning 16 and before June 15, 2007, and being under age 31 as of June 15, 2012. MinnesotaCare has covered DACA grantees since January 1, 2017 (see DHS bulletin 16-21-12 – DHS Announces MinnesotaCare Eligibility for Deferred Action for Childhood Arrivals (DACA) Grantees). Persons age 65 and older are not eligible for federal BHP funding.

Total payments for health care services provided through MinnesotaCare were $636.7 million in fiscal year 2022. Just under 9 percent of this amount was paid for through state payments from the health care access fund. The remainder was paid from federal BHP funding and enrollee premiums (this category also includes enrollee cost-sharing).

Funding for the state share of MinnesotaCare costs, and for other health care access initiatives, is provided by:

- A 1.6 percent tax on the gross revenues of health care providers, hospitals, surgical centers, and wholesale drug distributors (sometimes referred to as the "provider tax") (Minn. Stat. § 295.52); and
- A 1.0 percent premium tax on health maintenance organizations and nonprofit health service plan corporations. (Minn. Stat. § 297I.05, subd. 5)

Medicare payments to providers are excluded from gross revenues for purposes of the gross revenues taxes. Other specified payments, including payments for nursing home services, are also excluded from gross revenues.



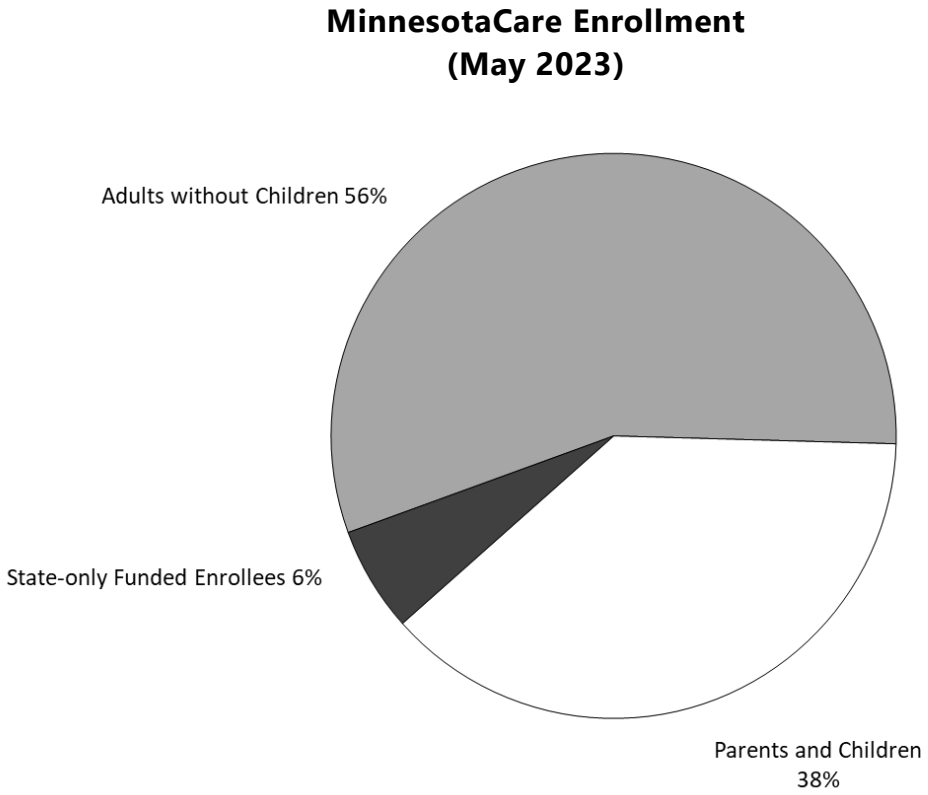
Source: DHS Reports and Forecasts Division, Background Data Tables for February 2023 Forecast

The tax rate on health care providers can be reduced, if the Commissioner of Management and Budget determines by December 1 that the ratio of revenues to expenditures and transfers for the health care access fund for the biennium will exceed 125 percent. If this determination is made, the commissioner must reduce the rate for the following calendar year so that the projected ratio of revenues to expenditures and transfers for the biennium will not exceed 125 percent. Any rate reduction expires after one year and the future rate is subject to annual redetermination by the commissioner. (Minn. Stat. § 295.52, subd. 8) Based on this process, the commissioner reduced the tax rate on health care providers from 1.8 percent to 1.6 percent for calendar year 2023.

The MinnesotaCare tax on the gross revenues of health care providers had previously been reduced by the legislature from 2.0 percent to 1.8 percent, effective for gross revenues received after December 31, 2019.[19]

Recipient Profile

As of May 2023, 109,933 individuals were enrolled in the MinnesotaCare program. A majority of enrollees (56 percent) were adults without children and about 38 percent of enrollees were mainly parents and children ages 19 and 20 (most children 18 and under are eligible for MA). The remaining enrollees were enrollees covered under state-only funded MinnesotaCare.



Source: DHS Reports and Forecasts Division, Monthly MinnesotaCare Program Enrollment Counts Statewide and by County

[19] See Minnesota Laws 2019, First Special Session chapter 6, article 9, sections 2 to 6.

Application Procedure

There are several ways to obtain MinnesotaCare application forms and to apply for MinnesotaCare coverage. These include the following:

- Applying for MinnesotaCare through MNsure, the state's health insurance exchange (1-855-366-7873 or 651-539-2099 in the metro area), or online at www.mnsure.org)
- Calling DHS directly at 1-800-657-3672 or 651-297-3862 (in the metro area)
- Obtaining application forms through county social service agencies, health care provider offices, and other sites in the community, or from the DHS website

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