

Health Care Access Fund

November 2024 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. The tax was temporarily reduced to 1.6 percent for calendar year 2023 and returned to 1.8 percent on January 1, 2024. Revenue to the fund also 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 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 program and granting resources to partners that enhance public health activities.

FORECAST AND FUND BALANCE CHANGES The HCAF is expected to have a balance of \$460 million at the end of the current biennium. This is a \$3 million (0.6 percent) decrease from the end of session. At the end of the FY 2026-27 biennium, the ending balance is expected to be \$235 million, a \$93 million (65.5 percent) increase from the previous forecast. This increase is primarily explained by decreases in forecast expenditures outpacing lower forecast revenues.

Change in HCAF Balance		
(\$ millions)	FY 24-25	FY 26-27
Prior Projected Balance	463	142
Prior Year Changes	4	(3)
Revenue Decreases	(84)	(142)
Expenditure Decreases	(77)	(238)
New Projected Balance	460	235

Change in Sources. HCAF revenues and transfers in are projected to be \$1.905 billion in FY 2024-25, a \$84 million (4.2 percent) decrease from previous projections. This decrease is primarily explained by lower forecast tax collections from health care providers. During fiscal year 2024, provider tax collections were \$35 million less than the end of session, this lower base reduces estimated tax collections in fiscal year 2025 and beyond. Additionally, the impact of a recent tax court decision increases estimated tax refunds by \$10 million this biennium, and further weakens future provider tax collections. In the FY 2026-27 biennium, revenues are \$2.087 billion, an increase of \$182 million (9.5 percent) over the FY 2024-25 biennium and a decrease of \$142 million (6.4 percent) from the end of session. Like the current biennium the lower fiscal year 2024 actuals and tax court decision drive lower than previously forecast revenues.

This forecast also makes a change consistent with Laws 2024, Chapter 115, to treat earned federal reimbursement as a negative expenditure and not as a revenue. This reduces revenue by \$17 million annually starting with fiscal year 2025 but has no net impact on the fund as it reduces expenditures by the amount of revenue loss.

Change in Expenditures. Total spending is forecast to equal \$2.403 billion in FY 2024-25, a decrease of \$77 million (3.2 percent) compared to the previous forecast. If you exclude the reclassification of federal reimbursement, the actual forecast change is \$60 million. Most of this change is explained by lower expenditures on MinnesotaCare. In this biennium, the change is largely explained by lower managed care rates in calendar year 2025. This change reduces spending by \$37 million (21.8 percent) in the FY 2024-25 biennium. Spending is also decreased by \$9 million in MinnesotaCare (5.4 percent) because of additional BHP funding. This funding is the result of higher individual market rates used to calculate BHP funding for calendar year 2025. With the current BHP funding

formula, Minnesota receives funding based upon what rates would have been without reinsurance. Those calculated rates were higher than expected. Total spending in the FY 2026-27 biennium is \$2.312 billion, a \$91 million (3.8 percent) decrease from the FY 2024-25 biennium and \$238 million (10.3 percent) lower than previous estimates. This lower spending can be attributed to multiple factors, including the continued impact of lower managed care rates for the 2025 contract, which lowers MinnesotaCare payments by \$60 million (20.2 percent) in the FY 2026-27 biennium from the end of session. Additionally, spending is further reduced by \$35 million in the FY 2026-27 biennium because of additional BHP revenue driven by higher-than-expected individual market premiums for the calendar year 2025. This higher base increases funding in future years. Changes to expenditures in other programs further reduce spending by \$109 million (5.0 percent); this includes technical corrections to prior statements. Finally, reclassifying earned federal reimbursement as a negative expenditure reduces spending by \$34 million.

BASIC HEALTH PROGRAM TRUST FUND

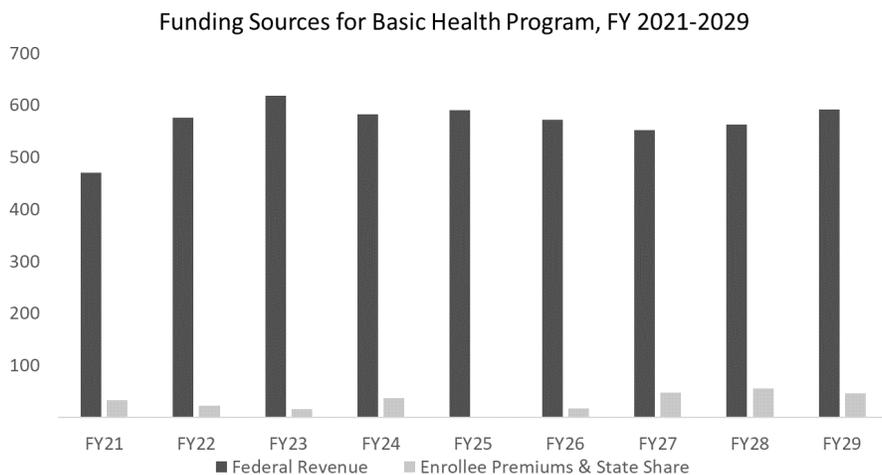
Federal BHP payments are deposited in the BHP Trust Fund and used to fund eligible MinnesotaCare expenses. BHP funding is not directly tied to changes in program expenditures but is based on several factors including individual market premiums, enrollment, and the age, income, and geographic distribution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

Fund Balance Changes. When federal BHP revenues and enrollee premiums exceed eligible expenditures, a balance can accumulate in the fund. State funding from the HCAF is required when BHP costs exceed federal revenue and enrollee premiums. The trust fund ended fiscal year 2024 with a balance of \$8 million and will end each year with a positive balance through fiscal year 2026. However, because of declining revenues, BHP costs will exceed revenues and spend down the accumulated balance by fiscal year 2027.

Due to increases in federal revenue and decreases in BHP expenditures between forecast, the HCAF’s share of BHP costs is projected to decrease by \$35 million in FY 2024-25 and \$95 million in FY 2026-27 compared to the previous forecast (48.7 and 88.1 percent, respectively).

Change in BHP Revenues. Federal BHP revenues for the current biennium are forecast to be \$1.190 billion, a \$21 million (1.8 percent) increase compared to the end of session. In FY 2026-27, BHP revenues are forecast to increase by \$27 million (2.6 percent) to \$1.099 billion compared to the end of session.

Starting calendar year 2026, expanded premium subsidies in the individual market from the American Rescue Plan Act (ARPA) will expire. Because federal BHP payments are determined by the aggregate value of premium subsidies that BHP enrollees would qualify for, the expiration of expanded premium subsidies will reduce federal revenue to the Trust Fund by \$90 million (15 percent) for calendar year 2026. The chart below shows changing funding for BHP over the forecast horizon.



Change to BHP Expenditures. In FY 2024-25, BHP expenditures from the BHP Trust Fund decreased to \$1.211 billion, a \$37 million (3.0 percent) decrease compared to the end of session. In FY 2026-27, BHP expenditures are forecast to decrease to \$1.136 billion, a \$46 billion decrease compared to the end of session.

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2024 November Forecast

<u>Sources</u>	Actuals FY 24	Projected FY 25	Projected FY 26	Projected FY 27	Projected FY 28	Projected FY 29
Balance Forward from Prior Year	953,921	868,652	459,858	266,731	234,846	242,055
Prior Year Adjustments	3,467	-				
Adjusted balance forward	957,388	868,652	459,858	266,731	234,846	242,055
Revenues:						
2%/1.8% Provider Tax [1.6% in CY 23]	751,121	824,430	860,780	902,560	947,480	993,990
1% Gross Premium Tax	137,161	142,290	146,760	152,450	159,770	167,510
Provider and Premium Tax Refunds	(18,597)	(30,600)	(30,590)	(19,780)	(19,810)	(19,840)
MinnesotaCare Enrollee Premiums	493	1,829	18,847	36,363	36,157	35,897
Investment Income	59,004	26,900	13,200	6,010	5,900	6,790
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[582,866]	[590,872]	[571,341]	[551,653]	[562,304]	[591,217]
Federal Match on Administrative Costs	10,997					
Total Revenues	940,179	964,849	1,008,997	1,077,603	1,129,497	1,184,347
Transfers In: ²						
Cancellation from Odyssey Fund to Health Care Access Fund	-					
Total Sources	1,897,567	1,833,501	1,468,856	1,344,334	1,364,343	1,426,401
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	79,759	49,105	86,923	117,753	130,760	126,136
MinnesotaCare: Federal Basic Health Program Expenditures	[582,866]	[590,872]	[571,341]	[551,653]	[562,304]	[591,217]
MinnesotaCare: State Share of Enrollee Premiums	391	1,829	18,847	36,363	36,157	35,897
Medical Assistance	776,054	1,193,661	1,002,715	864,495	864,495	864,495
Department of Human Services ³	40,806	68,379	42,877	42,877	42,877	42,877
Department of Health ³	47,321	62,062	53,354	50,962	50,962	50,962
University of Minnesota	2,157	2,157	2,157	2,157	2,157	2,157
Legislature	-	-	-	-	-	-
Department of Revenue ³	1,674	1,846	1,760	1,760	1,760	1,760
MNsure ³	227	849	-	-	-	-
Board of Pharmacy	-	114	-	-	-	-
Interest on Tax Refunds	800	1,080	930	560	560	560
Department of Human Services Federal Reimbursement ⁶		(17,049)	(17,049)	(17,049)	(17,049)	(17,049)
Total Expenditures	949,190	1,364,033	1,192,514	1,099,878	1,112,679	1,107,795
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a) ^{4,5}	70,215	-	-	-	-	-
Total General Fund Transfers	70,215	-	-	-	-	-
Special Revenue Fund: DHS Systems and Other	9,510	9,510	9,510	9,510	9,510	9,510
Special Revenue Fund: MDH ITA Transfers	-	-	-	-	-	-
Special Revenue Fund: Insulin Safety Net		100	100	100	100	100
Total Transfers Out	79,725	9,610	9,610	9,610	9,610	9,610
Total Uses	1,028,915	1,373,643	1,202,124	1,109,488	1,122,289	1,117,405
Structural Balance	(88,736)	(408,794)	(193,127)	(31,885)	7,208	66,942
Balance	868,652	459,858	266,731	234,846	242,055	308,996

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 if it occurs. Laws

³ FY 2025 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.

⁶ Laws 2024, Ch 115 clarified federal reimbursement for administrative costs should be an expenditure reduction, this statement makes this

(\$ in thousands)

Minnesota Management and Budget

