

Premium Security Plan Account

November 2024

PURPOSE OF ACCOUNT – The Premium Security Plan was established in 2017 to provide reinsurance payments to health insurers that provide coverage in the individual market. These payments offset a portion of insurers’ highest-cost claims to reduce premiums and result in more affordable health insurance for all Minnesotans with individual health insurance. The Minnesota Comprehensive Health Association (MCHA), an independent nonprofit organization, administers the program, and the Department of Commerce serves as the program’s fiscal agent.

SOURCES – Revenues to the account 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. Federal payments are determined by the U.S. Treasury Department. An initial investment of \$543 million was appropriated from the state’s general and health care access funds, and \$247 million was subsequently returned to 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 because 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. In addition, the 2023 Legislature authorized a transfer of \$276 million to the general fund in FY 2026 while the 2024 Legislature authorized another transfer of about \$9 million to the general fund in FY 2026 as well.

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 projected balance in the fund at the end of the FY 2024-25 biennium is \$455 million, an increase of \$13 million over end-of-session estimates. This increase is largely due to higher-than-expected federal revenue and investment income that are partially offset by an increase in reinsurance claims. These improvements carryforward into future years and contribute to the FY 2026-27 forecast balance of \$11 million. At the end of the 2024 legislative session, the account was projected to have a balance of \$1 thousand in FY 2027.

REVENUES – The fund’s resources are forecast to increase by \$31 million in FY 2024-25 and \$23 million in FY 2026-27 relative to previous estimates due to higher-than-expected federal revenue and investment income.

EXPENDITURES – Forecast expenditures from the account are to increase by \$17 million in FY 2024-25 and \$25 million in FY 2026-27 relative to previous estimates due to higher-than-expected claims in the current year, which increases the assumed size of the program this calendar year and next.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

<i>in thousands</i>	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029
Balance Forward From Prior Year	422,438	355,662	455,354	10,674	10,930	11,192
Prior Year Adjustments	(72)					
<i>Adjusted Balance Forward</i>	<i>422,366</i>	<i>355,662</i>	<i>455,354</i>	<i>10,674</i>	<i>10,930</i>	<i>11,192</i>
Transfers from the General Fund		229,465				
Transfers from the Health Care Access Fund						
Federal Pass-Through	119,486	129,884	129,884			
Interest Income	21,103	14,793	17,185	256	262	269
Total Sources	562,955	729,804	602,423	10,930	11,192	11,461
MCHA Expenditures	324	688	531			
Reinsurance Payments	206,969	273,762	306,613			
23, CH 57 - Transfer to the General Fund			275,775			
24, CH 127 - Transfer To General Fund			8,830			
Total Uses	207,293	274,450	591,749	0	0	0
Balance	355,662	455,354	10,674	10,930	11,192	11,461