

Health Care Access Fund

February 2025 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, federal match on administrative costs, and investment income earned on the balance of the fund.

The fund covers portions of the cost of both the MinnesotaCare and Medical Assistance (MA) 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 state-only funded enrollees, who are not eligible for federal BHP funding. 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 \$482 million at the end of the current biennium. This is a \$22 million (4.8 percent) increase from the November forecast and is explained by increases in forecast revenues. At the end of the FY 2026-27 biennium, the ending balance is expected to be \$238 million, a \$3 million (1.2 percent) increase from the previous forecast. This increase is explained by higher revenues and a higher balance carrying forward from the current biennium, partially offset by higher expenditures in the FY 2026-27 biennium. At the end of the FY 2028-29 biennium, the ending balance is forecast to be \$287 million, a \$22 million (7.1 percent) decrease from previous forecast, due to increases in forecast expenditures outpacing increases in forecast revenues.

Change in HCAF Balance			
(\$ millions)	FY 24-25	FY 26-27	FY 28-29
Prior Projected Balance	460	235	309
Prior Year Changes	0	22	31
Revenue Increases	23	51	55
Expenditure Increases	1	70	80
New Projected Balance	482	238	287

Change in Sources. HCAF revenues and transfers in are projected to be higher across the forecast horizon totaling \$1.928 billion in FY 2024-25, a \$23 million (1.1 percent) increase from the November 2024 forecast. In the FY 2026-27 biennium, revenues are projected to be \$2.137 billion, an increase of \$51 million (2.4 percent) from the November 2024 forecast. Revenue is forecast to be \$2.369 billion in the FY 2028-29 biennium, an increase of \$55 million (2.4 percent) from previous projections. This increase is the result of higher forecast investment income and tax collections from health care providers and health maintenance organizations. These changes raise forecast revenues by \$10 million in FY 2024-25, \$44 million in FY 2026-27, and \$50 million in FY 2028-29.

Change in Expenditures. Total spending and transfers out are forecast to equal \$2.403 billion in FY 2024-25, virtually unchanged from the previous forecast. In the FY 2026-27 biennium, total expenditures are \$2.381 billion, \$70 million (3.0 percent) more than the previous forecast. Most of this increase (\$51 million) reflects increases in 2025 managed care rates due to greater-than-expected use of weight loss drugs. Another \$18 million of the increase represents higher HCAF costs from increases in MinnesotaCare enrollment. A similar trend plays out in FY 2028-29 when total spending is \$2.320 billion, \$80 million (3.6 percent) more than the previous forecast. About \$21 million represents increases in net HCAF costs from MinnesotaCare enrollment and \$56 million from amendments to the 2025 managed care rate.

BASIC HEALTH PROGRAM TRUST FUND

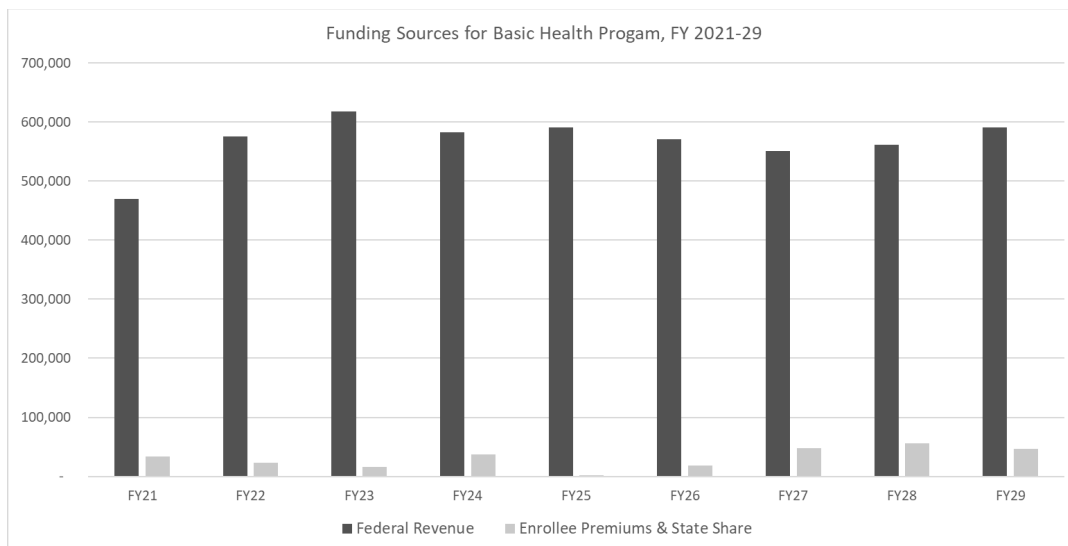
Federal BHP payments are deposited in the BHP Trust Fund and used to fund eligible MinnesotaCare expenses. BHP funding is not directly tied to changes in program expenditures but is based on several factors including individual market premiums, enrollment, and the age, income, and geographic distribution 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 FY 2024 with a balance of \$8 million and will end FY 2025 with a positive balance of \$13 million. However, because of declining revenues, BHP costs will exceed revenues and spend down the accumulated balance by FY 2026 instead of FY 2027 as in the November 2024 forecast.

While HCAF's share of BHP costs is forecast to stay the same in the FY 2024-25, the share is forecast to increase by \$60 million in FY 2026-27 because of BHP expenditures increasing more than federal BHP revenue. This trend continues in the FY 2028-29 biennium with HCAF's share of BHP costs increasing by \$65 million.

Change in BHP Revenues. Federal BHP revenues for the current biennium are forecast to be \$1.185 billion, a \$5 million (0.4 percent) decrease compared to the November 2024 forecast. Meanwhile, BHP revenues are forecast to increase by \$29 million (2.6 percent) to \$1.128 billion in FY 2026-27, and by \$39 million (3.3 percent) to \$1.192 billion in FY 2028-29.

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 said subsidies that BHP enrollees would qualify for, their expiration will reduce federal revenue to the Trust Fund by \$110 million for calendar year 2026. The chart below shows changing funding for BHP over the forecast horizon.



Change to BHP Expenditures. In FY 2024-25, expenditures from the BHP Trust Fund increased to \$1.217 billion, a \$7 million (0.6 percent) increase compared to the November 2024 forecast. Meanwhile, expenditures are forecast to increase by \$78 million (7.1 percent) to \$1.214 billion in FY 2026-27, and by \$103 million (8.9%) to \$1.292 billion in FY 2028-29. The main drivers for the increase in each of the three biennia are increasing average number of enrollees and changes to manage care contracts due to the greater-than-expected use of weight loss drugs.

Health Care Access Fund

2025 February Forecast

	Actuals	Projected	Projected	Projected	Projected	Projected
	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Sources						
Balance Forward from Prior Year	953,921	868,652	482,091	294,847	237,718	233,910
Prior Year Adjustments	3,467					
Adjusted balance forward	957,388	868,652	482,091	294,847	237,718	233,910
Revenues:						
2%/1.8% Provider Tax [1.6% in CY 23]	751,121	829,600	875,900	921,400	967,100	1,013,200
1% Gross Premium Tax	137,161	147,260	151,880	157,780	165,350	173,360
Provider and Premium Tax Refunds	(18,597)	(30,630)	(30,610)	(19,800)	(19,830)	(19,860)
MinnesotaCare Enrollee Premiums	493	1,841	19,072	37,735	37,732	37,726
Investment Income	59,004	39,541	15,430	8,410	6,850	7,640
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	[582,866]	[597,433]	[592,309]	[548,103]	[579,896]	[612,222]
Federal Match on Administrative Costs	10,997					
Total Revenues	940,179	987,612	1,031,672	1,105,525	1,157,202	1,212,066
Transfers In: ²						
Cancellation from Odyssey Fund to Health Care Access Fund						
Total Sources	1,897,567	1,856,265	1,513,762	1,400,372	1,394,920	1,445,976
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	79,759	49,624	103,489	169,547	167,906	166,040
MinnesotaCare: Federal Basic Health Program Expenditures	[582,866]	[597,433]	[592,309]	[548,103]	[579,896]	[612,222]
MinnesotaCare: State Share of Enrollee Premiums	391	1,841	19,072	37,735	37,732	37,726
Medical Assistance	776,054	1,193,661	1,002,715	864,495	864,496	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 ⁴		(17,049)	(17,049)	(17,049)	(17,049)	(17,049)
Total Expenditures	949,190	1,364,564	1,209,305	1,153,044	1,151,401	1,149,528
Transfers Out:						
To General Fund						
M.S. 16A.724 Subd 2(a) ^{5 6}	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	1,374,174	1,218,915	1,162,654	1,161,011	1,159,138
Structural Balance	(88,736)	(386,562)	(187,243)	(57,129)	(3,809)	52,928
Balance	868,652	482,091	294,847	237,718	233,910	286,837

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 2023, Chapter 57 transfers

³ FY 2025 figure includes funding carried forward from previous years.

⁴ Laws 2024, Ch 115 clarified federal reimbursement for administrative costs should be an expenditure reduction, this statement makes this change.

⁵ 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.

⁶ 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.

(\$ in thousands)

Minnesota Management and Budget

