

# Premium Security Plan Account

February 2025

**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 \$467 million, an increase of \$11 million (2.5 percent) over the November 2024 forecast. This increase is largely due to higher-than-expected investment income and a small decrease in reinsurance claims for plan year 2024, which will be paid in fiscal year 2025. These improvements carryforward into future years and contribute to the FY 2026-27 biennium with a balance of \$33 million, an increase of 22 million (200 percent) over the November 2024 forecast, and a balance of \$34 million in the FY 2028-29 biennium, up \$23 million, (199 percent) from the November forecast.

**REVENUES** – The fund’s resources are forecast to be \$519 million, an increase of \$5 million (0.9 percent) in FY 2024-25 and \$151 million, a \$4 million (2.6 percent) increase in FY 2026-27 relative to the November forecast, due to higher-than-expected investment income, while transfers and federal pass-through remain unchanged.

**EXPENDITURES** – Forecast expenditures from the account are to decrease to \$475 million, an decrease of \$7 million (1.4 percent) in FY 2024-25 and \$7 million (1.1 percent) in FY 2026-27 relative to previous estimates due

to lower-than-expected claims. Lower expenditures are driven by lower spending in the current year for plan year 2024, which reduce forecast expenditures for plan year 2025, to be paid in fiscal year 2026.

## PREMIUM SECURITY PLAN ACCOUNT STATEMENT

2025 February Forecast

*in thousands*

	<b>Actuals</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b><u>Sources</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>	<b><u>FY 2028</u></b>	<b><u>FY 2029</u></b>
Balance Forward From Prior Year	422,438	355,662	466,635	32,002	32,806	33,535
Prior Year Adjustments	(72)					
<i>Adjusted Balance Forward</i>	<i>422,366</i>	<i>355,662</i>	<i>466,635</i>	<i>32,002</i>	<i>32,806</i>	<i>33,535</i>
 <b>Revenues</b>						
Federal Pass-Through	119,486	129,884	129,884			
Interest Income	21,103	19,480	20,427	803	730	732
Transfers from the General Fund		229,465				
 <b>Total Revenues</b>	 <b>140,589</b>	 <b>378,829</b>	 <b>150,311</b>	 <b>803</b>	 <b>730</b>	 <b>732</b>
 <b>Total Sources</b>	 <b>562,955</b>	 <b>734,491</b>	 <b>616,946</b>	 <b>32,806</b>	 <b>33,535</b>	 <b>34,267</b>
 <b><u>Uses</u></b>						
MCHA Expenditures	324	356	739			
Reinsurance Payments	206,969	267,500	299,600			
23, CH 57 - Transfer to the General Fund			275,775			
24, CH 127 - Transfer To General Fund			8,830			
 <b>Total Uses</b>	 <b>207,293</b>	 <b>267,856</b>	 <b>584,944</b>	 <b>0</b>	 <b>0</b>	 <b>0</b>
 Structural Balance	 (66,705)	 110,973	 (434,633)	 803	 730	 732
 <b>Balance</b>	 <b>355,662</b>	 <b>466,635</b>	 <b>32,002</b>	 <b>32,806</b>	 <b>33,535</b>	 <b>34,267</b>