ISSUE BRIEF

Health Care Access Fund Overview and Forecast Changes

December 2015

The November 2015 state budget forecast projects a balance in the Health Care Access Fund (HCAF) of $438.5 million for FY 2016, $586.2 million for FY 2017, $856.6 million for FY 2018, and $1.149 billion for FY 2019. This Issue Brief discusses the HCAF fund balance statement, current (November 2015) forecast changes and recent legislation affecting the fund.

HCAF Overview

The Health Care Access Fund was established in statute in 1992[1]. The fund was enacted as part of the legislation which authorized the MinnesotaCare health insurance program to increase access to health care for lower income Minnesotans. MinnesotaCare financing remains a primary activity of the HCAF but other uses, including paying directly for a portion of the state Medical Assistance program, have been added to the fund's activities. (Note: See page 5 of this Issue Brief for a copy of the November 2015 HCAF statement.)

Fund Sources

Fund sources include the balance forward (if any) from the prior year, transfers in (if any) and revenues to the fund. Revenues come primarily from two taxes, the health care provider tax[2] and the gross premium tax[3]. There are also several smaller sources of revenue to the fund including MinnesotaCare premiums and investment income. In detail, sources of revenue to the fund are:

Health Care Provider Tax - The largest source of revenue to the HCAF is a 2 percent tax on gross revenues of health care providers, hospitals, surgical centers and wholesale drug distributors. For FY 2016 the provider tax is projected to account for $603 million in revenue to the fund.

Gross Premium Tax - a 1 percent tax on the gross premiums of health maintenance organizations, nonprofit health service plan corporations and community integrated service networks. For FY 2016 the gross premium tax is projected to account for $90.9 million in revenue to the fund.

[1] Minnesota Statutes chapter 16A.724
[2] Minnesota Statutes chapter 295.52
[3] Minnesota Statutes chapter 297I.05, subdivision. 5

MinnesotaCare Enrollee Premiums - Premiums and cost sharing revenue paid by MinnesotaCare enrollees is the third largest source of revenue to the fund. As of January 2015 MinnesotaCare became the state's Basic Health Plan (BHP) under the Affordable Care Act (ACA) and all premiums remain with the state. Prior to 2015, under a waiver agreement with the federal government, premium revenue was shared between the state and federal governments. For FY 2016 MinnesotaCare premiums are projected to account for $39.3 million in revenue to the fund. Because of persistent technical problems, many MinnesotaCare enrollees have not received premium notices during 2015. While the Department of Human Services says the billing issue will be corrected, this problem will reduce premium collections by over $44 million in the FY 2016-17 biennium and lower the base line revenue for premiums going forward in the HCAF. The November 2016 forecast accounts for these revenue losses.

Federal Match on Administrative Costs - For FY 2016 the federal government is projected to provide $13.6 million in matching funds to the HCAF.

Interest Income - By law interest on balances in the fund accrue to the fund. For FY 2016 there is projected to be $2.97 million in interest on the fund.

Non-add federal revenue – These (bracketed) lines in the fund balance are shown in both the revenues and uses sections and indicate (but do not add in) the amount of revenue to the state Federal Fund from the state Basic Health Plan and (for FY 2016 and earlier) the federal MinnesotaCare waiver. These funds total $329 million in FY 2016 and are not counted in the HCAF totals but do affect HCAF program expenditures.

Fund Uses

Fund uses include appropriations and transfers out. In detail, expenditure items are:

MinnesotaCare - The direct appropriation for MinnesotaCare operations. Projected to be $161.8 million in FY 2016. The fund balance statement indicates the current projected cost of the program, variances from amounts previously appropriated for FY 2016-17 will likely be adjusted in a forecast corrections article during the 2016 legislative session.

MinnesotaCare Premiums - The same figure that is listed for premiums in the sources section of the fund balance statement, $39.3 million for FY 2016, is listed in the uses section and is appropriated to fund MinnesotaCare operations.

Medical Assistance - Beginning in FY 2014 there have been direct appropriations out of the HCAF to fund a portion of the cost of the Medical Assistance program. The November forecast amount for this is $588.2 million. Like MinnesotaCare appropriations the actual appropriations for FY 16-17 will likely be adjusted to match forecast numbers during the 2016 legislative session.

Department of Human Services - Administrative costs appropriated to DHS, $33.7 million for FY 2016.

Department of Health - Appropriation primarily for the Statewide Health Improvement Program (SHIP), $36.5 million in FY 2016.

University of Minnesota - $2.2 million annually for primary care physician training.

Department of Revenue - $1.7 million for administration of fund tax sources.

Non-add federal revenue – These (bracketed) lines in the fund balance are shown in both the revenues and uses sections and indicate (but do not add in) the amount of revenue to the state Federal Fund from the state Basic Health Plan and (for FY 2016 and earlier) the federal MinnesotaCare waiver. These funds total $329 million in FY 2016 and are not counted in the HCAF totals but do affect HCAF program expenditures.

General Fund Transfers

Medical Assistance - Minnesota Statutes[4] requires that up to $96 million per biennium is transferred to the general fund to pay for the cost of a rate increase in the Medical Assistance program from 2003. In practice $48 million is transferred each year if fund balances allow.

Medical Assistance Expansion - In 2013 Medical Assistance eligibility was expanded under the Affordable Care Act[5]. The law included a transfer of funds from the HCAF to the General Fund in FY 2014-17 so that there was no General Fund cost for the expansion legislation during those years. The 2013 law included provisions to reduce these transfers in each forecast to the correct amount if it was less than the original transfer. The transfer amount for FY 2016 is forecast to be $30.8 million.

Non General Fund Transfers

DHS IT Systems transfer - Statutory transfer to the Special Revenue Fund for DHS computer systems costs. $14.2 million for FY 2016.

Current Forecast Changes

The November 2015 forecast shows significant improvement to the HCAF over projections from the end of the 2015 legislative session. A combination of lower expenditures for both MinnesotaCare and Medical Assistance and reduced transfers out for Medical Assistance drive much of the change. The HCAF is currently projected to have a balance of $587 million at the end of the FY 16-17 biennium and $1.149 billion at the end of the FY 18-19 biennium.

Revenues
Compared to the end of session fund statement, tax revenues for the FY 2016-17 biennium are down by $16 million and for the FY 2018-19 biennium down by $26 million As previously mentioned, premium revenue is also down by $21.3 million from prior estimates for the FY 16-17 biennium due to billing issues. Significantly higher federal funding for MinnesotaCare

[4]Minnesota Statutes chapter 16A.724, subdivision 2(a)
[5] Law of MN 2013 chapter 1

also serves to reduce state costs but since they are not revenues to the HCAF the impact is included in the cost discussion below.

Costs

The forecast shows that the cost of MinnesotaCare is lower for FY 2016-17 by $429 million (57 percent) and in FY 2018-19 cost decrease by $482 million (61 percent). Medical Assistance appropriations and transfers also are reduced by $136 million in FY 2016-17 and $94 million in FY 2018-19. Within MinnesotaCare, increased federal reimbursement due to higher benchmark commercial insurance rates reduce the state share of costs by $142 million in FY 2016-17 and $126 million if FY 2018-19.

Recent Legislation

Several recent legislative changes have an impact, or potential impact, to the fund. In the 2011 session legislation was passed that ends the provider tax on December 31, 2019[6]. The provider tax is collected on a calendar year basis, however, state fiscal years begin on July 1 and end on June 30. Thus, the last full year of tax collections is calendar 2019 and the date the tax is repealed is halfway through FY 2020. The last year of the planning horizon for the November 2015 forecast is FY 2019. The provider tax is projected to account for $703.2 million that year. In the following year, FY 2020, the provider tax will collect only six months of revenue (July 1, 2019 – December 31, 2019). The first revenue and expenditure forecast that will include FY 2020 and the impact on the HCAF of the provider tax repeal will be issued in November 2016.

In addition, the 2011 session also passed legislation[7] that requires an analysis of fund revenues and uses each December. If the analysis shows that, on a biennial basis, the ratio of revenues to uses is greater than 125 percent then the provider tax must be reduced. The law requires that the tax rate would be adjusted down in increments of one-tenth of one percent to the extent that the biennial revenues do not exceed the 125percent standard. The law further specifies that any reduction under this provision would expire at the end of each calendar year and would be subject to annual redetermination by the Commissioner of Minnesota Management and Budget. As of the November 2015 forecast the ratio of revenues to uses does not meet the greater than 125 percent test for the FY 2016-17 biennium so no rate reduction is currently anticipated.

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[6] Laws 2011, First Special Session chapter 9, article 6, section 97
[7] Minnesota Statutes chapter 295.52, subdivision 8

Prepared by Minnesota Management and Budget
November 2015

Health Care Access Fund

November 2015
Figures in $ Thousands

Sources	Closing FY 14	Closing FY 15	Projected FY 16	Projected FY 17	Projected FY 18	Projected FY 19
Balance Forward from Prior Year	49,862	51,448	662,387	438,454	586,244	856,626
Prior Year Adjustments	1,908	4,926	-	-	-	-
Adjusted balance forward	51,770	56,374	662,387	438,454	586,244	856,626
Revenues:						
2% Provider Tax	538,669	573,178	603,019	633,615	667,701	703,211
1% Gross Premium Tax	73,934	83,629	90,898	94,611	98,262	101,728
Provider and Premium Tax Refunds	(13,427)	(19,468)	(16,727)	(17,615)	(18,527)	(19,526)
State Share of MnCare Enrollee Premiums	15,566	15,547	39,299	41,493	41,599	41,993
Investment Income	762	945	2,970	2,750	3,860	5,360
MinnesotaCare: Federal Basic Health Program [1] [Non-Add]	-	[91,249]	[322,829]	[422,221]	[444,184]	[471,963]
MinnesotaCare: Federal Medicaid Waiver [2] [Non-Add]	[257,429]	[127,822]	[6,179]	-	-	-
MinnesotaCare: State Share of Other Dedicated Revenues	111	87	-	-	-	-
Federal Match on Administrative Costs	14,874	13,601	13,601	13,601	13,601	13,601
DSH Claim for Legal Non-Citizens in MinnesotaCare	-	-	-	-	-	-
Other	1	-	-	-	-	-
Total Revenues	630,492	667,519	733,060	768,455	806,497	846,366
Transfers In:						
General Fund: Laws of MN 2008, Ch 363, Art 17, Sec 1		50,000				
Transfer from General Fund		455,000				
General Fund: Medical Assistance		6,998				
Total Sources	**682,262**	**1,235,891**	**1,395,447**	**1,206,909**	**1,392,740**	**1,702,992**
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	246,899	275,004	161,767	157,758	150,009	153,636
MinnesotaCare: Federal Basic Health Program [1] [Non-Add]	-	[91,249]	[322,829]	[422,221]	[444,184]	[471,963]
MinnesotaCare: Federal Medicaid Waiver [2] [Non-Add]	[257,429]	[127,822]	[6,179]	-	-	-
MinnesotaCare: State Share of Enrollee Premiums	15,566	15,547	39,299	41,493	41,599	41,993
MinnesotaCare: State Share of Other Dedicated Revenues	111	87	-	-	-	-
Medical Assistance: Laws of MN 2013 Ch 108, Art 14, Sec 2	175,744	173,879	588,190	241,150	210,233	225,042
Healthy Minnesota Contribution Program	6,949	-	-	-	-	-
Department of Human Services	28,030	31,051	33,675	35,280	33,145	33,252
Department of Health [3]	25,866	36,345	36,484	33,421	34,031	33,444
University of Minnesota: MN Laws 1sp 2011 Ch 5, Sec 5	2,157	2,157	2,157	2,157	2,157	2,157
Legislature [3]	1	64	319	128	128	128
Department of Revenue	1,569	1,893	1,749	1,749	1,749	1,749
Interest on Tax Refunds	353	169	293	307	323	339
Legislative Auditor: MN Laws 2011 Ch 247, Art 6, Sec 2	33	70	-	-	-	-
Total Expenditures	503,277	536,267	863,933	513,443	473,374	491,740
Transfers Out:						
To General Fund						
Medical Assistance: M.S. 16A.724 Subd 2(a)	96,000	-	48,000	48,000	48,000	48,000
2013 MA Expansion: Laws of MN 2013 Ch 1	20,550	25,332	30,841	44,481	-	-
Total General Fund Transfers	116,550	25,332	78,841	92,481	48,000	48,000
Special Revenue Fund: DHS Systems and Other	9,987	10,905	14,219	14,741	14,741	14,741
Medical Education & Research Costs (MERC) Fund, M.S. 16A.724 Subd 2(c)	1,000	1,000				
Total Transfers Out	127,537	37,237	93,060	107,222	62,741	62,741
Total Uses	**630,814**	**573,504**	**956,993**	**620,665**	**536,115**	**554,481**
Balance	**51,448**	**662,387**	**438,454**	**586,244**	**856,626**	**1,148,511**

[1] For services beginning January 1, 2015, 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] Amounts represent federal match on MinnesotaCare expenditures, which is accounted for in the state's Federal Fund.
[3] FY 2016 figure includes funding carried forward from previous years.

Source Minnesota Management & Budget November 2015 Forecast:
http://mn.gov/mmb/images/nov-2015-hcaf.pdf