

HF1665 - 0 - "MinnesotaCare Repeal"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 Lead Agency: **MnSure**
 Other Agencies: **Commerce Dept** **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept						
General Fund	-	3,767	7,283	7,484	7,473	
Health Care Access	-	(147,798)	(516,517)	(470,253)	(485,078)	
MnSure						
Health Care Access	-	36,218	83,539	96,305	96,263	
MN Health Insurance Exchange	-	-	-	-	-	-
State Total						
General Fund	-	3,767	7,283	7,484	7,473	
Health Care Access	-	(111,580)	(432,978)	(373,948)	(388,815)	
MN Health Insurance Exchange	-	-	-	-	-	-
Total	-	(107,813)	(425,695)	(366,464)	(381,342)	
Biennial Total			(533,508)		(747,806)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept					
General Fund	-	-	((1.00))	-	-
Health Care Access	-	((46.00))	((185.00))	((185.00))	((185.00))
MnSure					
Health Care Access	-	-	-	-	-
MN Health Insurance Exchange	-	5	5	5	5
Total	-	((41.00))	((181.00))	((180.00))	((180.00))

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Ahna Minge Date: 04/14/2015
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept						
General Fund	-	3,767	7,283	7,484	7,473	
Health Care Access	-	(147,798)	(516,517)	(470,253)	(485,078)	
MnSure						
Health Care Access	-	36,218	83,539	96,305	96,263	
MN Health Insurance Exchange	-	-	-	-	-	
	Total	-	(107,813)	(425,695)	(366,464)	(381,342)
	Biennial Total			(533,508)		(747,806)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Human Services Dept						
General Fund	-	3,767	7,269	7,581	7,564	
Health Care Access	-	(163,532)	(550,585)	(505,100)	(520,246)	
MnSure						
Health Care Access	-	36,218	83,539	96,305	96,263	
MN Health Insurance Exchange	-	5,361	13,514	15,459	16,436	
	Total	-	(118,186)	(446,263)	(385,755)	(399,983)
	Biennial Total			(564,449)		(785,738)
2 - Revenues, Transfers In*						
Human Services Dept						
General Fund	-	-	(14)	97	91	
Health Care Access	-	(15,734)	(34,068)	(34,847)	(35,168)	
MnSure						
Health Care Access	-	-	-	-	-	
MN Health Insurance Exchange	-	5,361	13,514	15,459	16,436	
	Total	-	(10,373)	(20,568)	(19,291)	(18,641)
	Biennial Total			(30,941)		(37,932)

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Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

H.F. 1665-0 eliminates MinnesotaCare, and shifts eligible individuals into new federally subsidized MinnesotaCare II plans.

Assumptions

The Commerce Department does not expect to incur any financial impact from H.F. 1665-0. The aforementioned MinnesotaCare II plans are already included in carriers product portfolios, and subsequently are already reviewed by the department.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

N/A

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HF1665 - 0 - "MinnesotaCare Repeal"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	3,767	7,283	7,484	7,473	
Health Care Access	-	(147,798)	(516,517)	(470,253)	(485,078)	
Total	-	(144,031)	(509,234)	(462,769)	(477,605)	
Biennial Total			(653,265)		(940,374)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	((1.00))	-	-
Health Care Access	-	((46.00))	((185.00))	((185.00))	((185.00))
Total	-	((46.00))	((186.00))	((185.00))	((185.00))

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	3,767	7,283	7,484	7,473
Health Care Access	-	(147,798)	(516,517)	(470,253)	(485,078)
Total	-	(144,031)	(509,234)	(462,769)	(477,605)
Biennial Total			(653,265)		(940,374)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	3,767	7,269	7,581	7,564
Health Care Access	-	(163,532)	(550,585)	(505,100)	(520,246)
Total	-	(159,765)	(543,316)	(497,519)	(512,682)
Biennial Total			(703,081)		(1,010,201)
2 - Revenues, Transfers In*					
General Fund	-	-	(14)	97	91
Health Care Access	-	(15,734)	(34,068)	(34,847)	(35,168)
Total	-	(15,734)	(34,082)	(34,750)	(35,077)
Biennial Total			(49,816)		(69,827)

Bill Description

Article I of House File 1665 repeals the MinnesotaCare program established in Minnesota Statutes 256L and makes conforming changes to several other sections of statute.

Article II of the bill requires the board of MNsure to require each carrier offering a silver plan through MNsure to offer a corresponding MinnesotaCare II plan for people with income between 133 and 200 percent of the federal poverty guidelines (FPG). The board would also be required to subsidize premium costs for people eligible for a MinnesotaCare II plan by reducing premiums by an undefined amount.

Article II section 2 requires the commissioner of human services to study and make recommendations to the legislature on whether the continuation of MinnesotaCare II plans and related premium subsidies is necessary to ensure the availability of affordable health coverage to persons purchasing coverage through MNsure and present recommendations by December 15, 2018.

Assumptions

MinnesotaCare Repeal Fiscal Assumptions

This language repeals the MinnesotaCare program established in Minnesota Statutes 256L. MinnesotaCare became a federally funded Basic Health Plan (BHP) on January 1, 2015, and provides comprehensive health care coverage for over 95,000 Minnesotans without access to other coverage. There are no health condition barriers for eligibility, but applicants must meet income guidelines and pay a premium (if applicable) to receive coverage. Premiums are based on income and are charged for each enrollee, up to a maximum of \$50 per month in 2014.

Costs for the program are projected to reach \$546 million in FY2015. About \$224 million or 47% of the total FY2015 cost of the program is covered by the federal government, \$24 million or 4% comes from enrollee premiums, and the remainder is appropriated from state funds.

Under federal requirements for terminating a basic health plan 42 C.F.R § 600.140 DHS must do the following to close the MinnesotaCare Program:

- No later than September 2, 2015, the state must submit written notice to CMS regarding termination. This notice must include a proposed transition plan that describes the procedures to assist consumers with transitioning to other insurance affordability programs
- The state must resolve concerns expressed by CMS and obtain approval for the transition plan
- No later than October 2, 2015, the state must send written notice to the MinnesotaCare managed care plans
- No later than October 2, 2015, the state must send written notice to all MinnesotaCare enrollees. The notice must include the states assessment of their eligibility for other insurance affordability programs

DHS must also fulfill contractual obligations with Managed Care Organizations; complete all financial reconciliation to the federal government, and refund any remaining balance in the BHP trust fund.

The federal government requires states terminating a basic health plan to assist individuals and help ensure an orderly transition to other health care coverage. Most current enrollees in the MinnesotaCare program would be eligible for federal tax subsidies for the purchase of Qualified Health Plans in MNsure, though some current MinnesotaCare enrollees who do not expect to file a federal income tax return will not qualify for federal premium subsidies.

A loss in coverage is defined as a special qualifying event under 45 C.F.R 155.420(c) which enables MinnesotaCare enrollees to enroll in Qualified Health Plans in MNsure outside of open enrollment. This exception provides enrollees 60 days from the triggering event to enroll in coverage. If former MinnesotaCare enrollees fail to enroll through MNsure within that 60 day window, they cannot qualify for coverage with subsidies through MNsure until open enrollment the next fall for coverage in CY2017. The current program forecast projects an average monthly MinnesotaCare enrollment of just over 107,000 people during the 2016 fiscal year which is roughly the number of people that this estimate presumes would lose current MinnesotaCare coverage under this bill.

Systems work would be necessary to terminate MinnesotaCare and initiate new coverage for current MinnesotaCare enrollees within the remaining insurance affordability programs. With a January 1, 2016 effective date, the system would not be able to automatically convert or re-determine enrollee eligibility for advanced premium tax credits or Medical Assistance. System changes would need to be made to prevent MinnesotaCare coverage for new applicants beginning November 1, 2015. DHS would require the system to close all existing MinnesotaCare enrollees in November 2015, with a coverage end date of December 31, 2015. Enrollees would be asked to reapply starting in November 2015, to obtain new coverage starting for January 2016. Assistance would be available to help those transitioning to other insurance affordability program coverage; however some current enrollees may experience a gap in coverage if they fail to reapply, select a plan, and pay the QHP premium before their MinnesotaCare coverage ends on December 31, 2015.

Ending the MinnesotaCare program would require significant work within eligibility and information technology (IT) systems. Implementing these changes would affect key priorities within the existing MNsure IT portfolio including improving case management functionality, enhancing program integrity, and enhancing the customer experience and back-office activities. The full impact of these changes on IT systems would not be known until the legislation is passed and business requirements were determined.

For DHS systems, the work required to close the program would include generating client notices explaining the end of MinnesotaCare eligibility, closing case notes, and blocking interfaces with MNsure systems. All current eligibility cases must be removed from MNsure and MMIS using manual processes. Repealing MinnesotaCare will also require the removal of eligibility rules, recipient notice requirements, program specific financial and premium information, and other items from the MNsure system. The estimated cost for those items is included in this estimate.

Federal Approval Considerations/Risks - It is unknown how CMS would respond to or whether it would approve a transition plan based on the implementation processes required to meet the current January 1, 2016, effective date as described above in this fiscal note that would require all existing MinnesotaCare enrollees to reapply for coverage. This could include potential financial risk to the state if CMS required the continued coverage for enrollees that did not successfully gain coverage through reapplication or a disallowance of federal funding if CMS determined the state did not comply with federal requirements.

Fiscal Assumptions post-MinnesotaCare repeal

This estimate includes cost savings from future staff reductions. The Department of Human Services currently employs staff to process Minnesota Health Care Program applications and to provide customer service through centers located in St. Paul and Brainerd. DHS staff also processes all Medical Assistance and MinnesotaCare appeals. They work on

complex cases for all public programs and process applications and provide case maintenance for special populations including refugee and incarcerated enrollees.

Staff is needed beyond the January 2016 effective date to perform eligibility system clean-up efforts, support enrollees seeking other coverage, work with counties, and perform other duties related to closing the MinnesotaCare program. This estimate assumes that DHS staff performing duties related to MinnesotaCare will be reduced by 25% by April 2016, 50% by July, with all staff reductions being completed by the end of 2016.

Pursuant to current collective bargaining contracts, DHS is required to pay employees covered by the agreements for any remaining sick and vacation time accrued at the time of layoff. Employees with three years of state service are also eligible to receive six months of the employer share of the premiums for continued coverage under the state group health insurance program following layoff as detailed in these same labor agreements. The cost for continued coverage at the employer share of premium is reflected in this estimate. Based on current enrollment trends in the state group health insurance program, the estimate for continued premium support assumes that two thirds of covered employees are enrolled in family coverage and one third are enrolled in single coverage. This estimate also assumes that 160 hours of vacation time and 150 hours of sick time are paid out for each employee at the time of layoff which are averages used in similar estimates.

DHS would also incur costs for unemployment insurance. It is assumed that all employees subject to layoff under this legislation would be eligible for unemployment. The employer costs for these benefits are reflected in this estimate.

The estimates for staff savings and separation costs are based on averages and were not completed using individual salary information of current staff supporting the MinnesotaCare program. Layoffs must be conducted under the terms of the current collective bargaining agreements that afford employees with seniority greater protection from layoffs. These agreements allow some employees subject to layoff to bump other employees across the agency who are in positions they previously held. Actual salary savings and settlement costs will be based on the employees terminated according to the layoff rules under the collective bargaining agreements.

Current law requires DHS to withhold a portion of the capitation payments to health plans serving MinnesotaCare recipients each month. Withheld funds are paid back the beginning of the fiscal year following the end of the contract to health plans meeting performance targets set in law. This estimate assumes a portion of the withheld funds from the 2015 capitation payments are paid in July 2016 in an amount consistent with the program forecast.

This estimate also includes changes to the portion of DHS funding for MNSure expenditures. Repealing MinnesotaCare changes the mix of enrollment currently in the system and redistributes the proportion of system costs funded by each program budget. The result is an increase in this funding out of the general fund for those costs attributed to Medical Assistance and a savings to the health care access fund for costs attributed to MinnesotaCare.

Fiscal Assumptions MinnesotaCare II Study

This bill requires the commissioner of human services to study and make recommendations to the legislature on whether the continuation of MinnesotaCare II plans and related premium subsidies is necessary to ensure the availability of affordable health coverage to persons purchasing coverage through MNSure and present recommendations by December 15, 2018. This estimate assumes additional costs for this study which would require a contractor with the necessary economic and actuarial resources to model changes to the program with and without premium support. This work would require the addition of one FTE for FY2018 to manage the contract, provide data analysis and technical support, and write the report. The cost of this study and the staff resources are reflected in this estimate.

Expenditure and/or Revenue Formula

Repeal MinnesotaCare Effective January 2016					
Expenditures					
Base MinnesotaCare forecast:		FY 2016	FY 2017	FY 2018	FY 2019
Total Medical Payments		\$686,802,141	\$824,290,503	\$880,411,733	\$926,469,584
Federal Medicaid Share		\$15,812,080	\$0	\$0	\$0
Federal BHP Funding		\$256,252,321	\$351,692,670	\$392,603,704	\$423,416,708

Repeal MinnesotaCare Effective January 2016					
State HCAF Cost		\$414,737,739	\$472,597,833	\$487,808,029	\$503,052,876
MinnesotaCare forecast with zero enrollees beginning January 2016					
Total Medical Payments		393,557,905	54,220,875	\$0	\$0
Federal Medicaid Share		\$15,812,080	\$0	\$0	\$0
Federal BHP Funding		118,578,801	33,366,963	\$0	\$0
State HCAF Cost		259,167,023	20,853,912	\$0	\$0
Difference:					
Total Medical Payments		-\$293,244,236	-\$770,069,628	-\$880,411,733	-\$926,469,584
Federal Medicaid Share		\$0	\$0	\$0	\$0
Federal BHP Funding		-\$137,673,520	-\$318,325,707	-\$392,603,704	-\$423,416,708
State HCAF Cost		-\$155,570,716	-\$451,743,921	-\$487,808,029	-\$503,052,876
Premium Revenue					
		FY 2016	FY 2017	FY 2018	FY 2019
Base MinnesotaCare forecast:					
Total Premium Revenue		\$30,048,703	\$34,068,389	\$34,846,927	\$35,167,999
Federal Share		\$0	\$0	\$0	\$0
State HCAF Share		\$30,048,703	\$34,068,389	\$34,846,927	\$35,167,999
MinnesotaCare forecast with zero enrollees beginning January 2016					
Total Premium Revenue		14,314,867	\$0	\$0	\$0
Federal Share		\$0	\$0	\$0	\$0
State HCAF Share		\$14,314,867	\$0	\$0	\$0
Difference:					
Total Premium Revenue		-\$15,733,836	-\$34,068,389	-\$34,846,927	-\$35,167,999
Federal Share		\$0	\$0	\$0	\$0
State HCAF Share		-\$15,733,836	-\$34,068,389	-\$34,846,927	-\$35,167,999
Fiscal Summary					
		FY 2016	FY 2017	FY 2018	FY 2019
State HCAF Cost (Expenditures)		-\$155,570,716	-\$451,743,921	-\$487,808,029	-\$503,052,876
State HCAF Cost (Premium		\$15,733,836	\$34,068,389	\$34,846,927	\$35,167,999

Repeal MinnesotaCare Effective January 2016					
Revenue)*					
Net HCAF Cost		-\$139,836,880	-\$417,675,532	-\$452,961,102	-\$467,884,877
* Lower premium revenue is a HCAF cost.					
Salary + Fringe Savings and Separation Expenditures					
Average Salary (Hourly)		\$22.37			
Average Vacation Payout (160 Hours)		\$3,579			
Average Sick Leave Payout (150 Hours)		\$3,356			
Layoffs in FY2016		46			
Layoffs in FY2017		142			
2016 Payments		\$318,996.20			
2017 Payments		\$984,727.40			
		Single	Family	Total	
% with Coverage Type		0.33	0.67		
Premium Months in 2016		46	92	138	
Premium Months in 2017		372	756	1128	
Health Insurance Premium		\$524	\$1,421	-	
FY 2016 Premium Payments with 75% Elig.		\$17,913	\$98,513	\$116,426	
FY 2017 Premium Payments with 75% Elig.		\$146,419	\$805,236	\$951,655	
Avg. Monthly Unemployment Pmt.		\$1,879			
2016 Unemployment Payments		\$259,313			
2017 Unemployment Payments		\$2,119,602			
		2016	2017	2018	2019
Total Separation Expenses		\$694,735	\$4,055,984	--	--
Salary + Fringe Savings		-\$2,454,673	-\$5,604,315	-\$9,899,993	-\$9,899,992
Net		-\$1,759,938	-\$1,548,331	-\$9,899,993	-\$9,899,992

Long-Term Fiscal Considerations

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019
HCAF	31	MinnesotaCare Grants	(155,571)	(541,744)	(487,808)	(503,053)
HCAF	31	Premium Revenue	15,734	34,068	34,847	35,168
HCAF	13	HCA Admin (Staff Layoffs)	(1,760)	(1,508)	(9,959)	(9,860)
GF	13	HCA Admin (Staff Layoffs)	-	(40)	(40)	(40)
GF	13	HCA Admin (Contract)	-	-	200	200
GF	13	HCA Admin (FTE)	-	-	118	101
GF	13	HC Admin (Cost Allocation Change)	3,175	7,303	7,303	7,303
HCAF	13	HCA Admin (Cost Allocation Change)	(6,201)	(7,333)	(7,333)	(7,333)
GF	REV1	FFP @ 35%	-	14	(97)	(91)
GF	11	Systems (ITS @ 50%)	560	-	-	-
GF	11	Systems (MMIS @ 29%)	32	6	-	-
		Total Net Fiscal Impact	(144,031)	(509,234)	(462,769)	(477,605)
		Full Time Equivalents	(46)	(186)	(185)	(185)

Local Fiscal Impact

References/Sources

DHS February, 2015 Forecast

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HF1665 - 0 - "MinnesotaCare Repeal"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 Agency: **MnSure**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	36,218	83,539	96,305	96,263	
MN Health Insurance Exchange	-	-	-	-	-	-
Total	-	36,218	83,539	96,305	96,263	
Biennial Total			119,757		192,568	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	-	-	-	-
MN Health Insurance Exchange	-	5	5	5	5
Total	-	5	5	5	5

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	36,218	83,539	96,305	96,263	
MN Health Insurance Exchange	-	-	-	-	-	-
Total	-	36,218	83,539	96,305	96,263	
	Biennial Total		119,757		192,568	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Health Care Access	-	36,218	83,539	96,305	96,263	
MN Health Insurance Exchange	-	5,361	13,514	15,459	16,436	
Total	-	41,579	97,053	111,764	112,699	
	Biennial Total		138,632		224,463	
2 - Revenues, Transfers In*						
Health Care Access	-	-	-	-	-	-
MN Health Insurance Exchange	-	5,361	13,514	15,459	16,436	
Total	-	5,361	13,514	15,459	16,436	
	Biennial Total		18,875		31,895	

Bill Description

H.F. 1665-0 eliminates MinnsotaCare and shifts eligible individuals into new federally subsidized MinnesotaCare II plans.

Assumptions

- This fiscal note provides an estimated cost for a relatively simple approach to a state-funded premium subsidy program. It assumes the bill would provide sufficient funding for a forecasted program to reduce QHP premiums net of federal tax credits by an additional 50 percent. There are several options for design and implementation of a state-funded premium subsidy program. This approach was used due to flexibility in the current bill language and a short timeframe for implementation. Numerous program components would need to be specified, including finalizing proportion of premium reduction, core components of state-funded premium subsidy administration, and year-end reconciliation processes. Costs could increase or decrease from estimates provided here for both subsidy program and administrative costs depending on how the program is designed. Subsidy program costs could be as low as \$2.8M in FY 2016-17 (and \$3.2M in FY 2018-19) for a one percent reduction in premium to a high of \$281.5M in FY 2016-2017 (and \$321.8M in FY 2018-2019) to subsidize the entire premium amount net of federal tax credits.
- It is also assumed that 90 percent of current MinnesotaCare participants would transition to the new MinnesotaCare II program. (There are a small proportion of current MinnesotaCare recipients that do not meet eligibility rules to receive federally funded advanced premium tax credits and therefore could not participate in the new MinnesotaCare II program.)
- This fiscal note assumes insurance companies would bill enrollees directly for their premiums. Health insurance

companies may need to make changes to their systems or support manual processes to bill enrollees an accurate premium amount net of the enrollees state-funded premium amount.

- This fiscal note assumes IT system changes reflected in DHS portion of the fiscal note are able to be made by November 1, 2015. These changes would modify eligibility rules in the IT system to determine consumers between 133-200% FPL eligible for the new MNCare II program and direct them to choose a QHP. If these system changes are not in place by November 1, 2015, MNsure would need to undertake a fully manual enrollment process for this new program. That would involve significant resources and likely significantly reduce the number of consumers enrolling into the program.
- It is not possible to fully automate display of a state-funded subsidy amount on MNsure website by January 1, 2016. This fiscal note assumes a manual process for calculating amounts of state subsidies and enrollment data transmission to health insurance companies.

Expenditure and/or Revenue Formula

Explanation of Cost Estimate:

MNsure would incur two types of costs associated with this bill:

1) New administrative costs associated with the following activities:

- MNsure establishing and maintaining a process to manually calculate and transfer state-funded premium subsidies to insurance companies.

This would require five new permanent FTE positions (one manager and four staff) to oversee development, execution and maintenance of this subsidy program as well as a temporary contracted resource to support development. Program staff would be responsible for identifying enrollees eligible for MinnesotaCare II premium subsidies, preparing manual reports to insurance companies with information on correct premium amount to be billed, disbursement of funds to insurance companies and any year-end reconciliation processes. This fiscal note assumes a 16L position and four MA-3 positions to carry out the program. Salary and standard fringe costs for these five positions are \$462,504. It also assumes a temporary contracted resource for a period of 12 months to support development, initial implementation and program administration refinement. It is estimated this temporary contracted resource would cost \$200,000.

	FY 2016	FY 2017	FY 2018	FY 2019
Staff FTE costs	462,504	462,504	462,504	462,504
Contractor	200,000	0	0	0
Total Administrative Costs	662,504	462,504	462,504	462,504

2) The ongoing cost of a new state-funded premium subsidy program based on this fiscal notes assumptions.

The cost of this subsidy program was estimated using the following methodology:

- Step One: We assume that 90 percent of current MinnesotaCare enrollees will participate in MinnesotaCare II. These numbers are based on DHS current MinnesotaCare forecast.
- Step Two: We calculate an estimated number of member months based on that assumption.
- Step Three: We next use the average 2015 silver plan premium sold through MNsure and increase that premium amount by seven percent in enrollment year 2016 and two percent each enrollment year thereafter. This seven percent

increase includes both the two percent average premium increase used in MNsure's existing premium withhold revenue forecast and an additional estimated five percent increase in average silver premiums that are estimated to result from the current MinnesotaCare population moving into the individual market risk pool.

- Step Four: We multiply the average premium by the estimated number of member months. This results in a total premium cost estimate for new MinnesotaCare II enrollees.

- Step Five: We use an estimated federally funded advance premium tax credit associated with the MinnesotaCare II population. This is based on estimates DHS uses for purposes of existing federal funding for MinnesotaCare. This calculated amount is also subtracted from the aggregate premium cost in Step Four.

- Step Six: This is the balance of the aggregate premium costs for MNCare II net of estimated federal advance premium tax credits.

- Step Seven: Under this fiscal notes assumptions, the state would reduce the resulting premium amount under Step Six by 50 percent. This results in an estimated cost for a direct appropriation from the Health Care Access Fund to MNsure to provide a state-funded subsidy program. Costs could increase or decrease from estimates provided here for a state-funded subsidy program depending on the level of subsidy to be provided. Subsidy program costs could be as low as \$2.8M in FY 2016-17 (and \$3.2M in FY 2018-19) for a one percent reduction in premium to a high of \$281.5M in FY 2016-2017 (and \$321.8M in FY 2018-2019) to subsidize the entire premium amount net of federal tax credits.

Methodology for Calculating Cost of State-funded Premium Subsidy

	FY 2016	FY 2017	FY 2018	FY 2019
Step One: Estimated number of persons enrolling in MNCare II	96,311	109,040	111,527	112,573
Step Two: Estimated number of member months	1,059,634	1,295,752	1,335,817	1,349,821
Step Three: Average monthly premium	\$335.98	\$342.70	\$349.55	\$356.54
Step Four: Total aggregate premium costs for new MinnesotaCare II program	356,015,831	444,053,692	466,939,641	481,271,523
Step Five: Subtract estimated advanced premium tax credit that MNCare II enrollees would receive	(211,142,652)	(254,769,369)	(271,004,935)	(292,154,069)
Step Six: Balance of estimated premium costs to be paid (50% by enrollee, 50% by state-funded subsidy program)	144,873,179	189,284,323	195,934,706	189,117,454
Step Seven: State subsidy program would reduce the net cost in Step Six by 50%. This line represents the program costs of a state-funded premium subsidy program.	72,436,590	94,642,162	97,967,353	94,558,727

Additional information on fiscal impact

	FY 2016	FY 2017	FY 2018	FY 2019
Increase in MNsure premium withhold revenue	(6,167,970)	(15,744,001)	(17,689,150)	(18,666,361)
Dedicated premium withhold expenditures	4,698,501	13,051,416	14,996,069	16,436,280
Reduction in DHS reimbursement revenue	806,965	2,230,081	2,230,081	2,230,081
Total, MNsure budget impact from case mix change in enrollee population	(662,504)	(462,504)	(462,504)	(462,504)

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

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