

**HF3543 - 0 - "Modify Funding MNSure Operations Authority"**

Chief Author: **Greg Davids**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **03/27/2018**  
 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.

<b>State Cost (Savings)</b>		<b>Biennium</b>		<b>Biennium</b>	
Dollars in Thousands		<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
<b>Commerce Dept</b>					
General Fund		-	132	48	48
<b>MNSure</b>					
MN Health Insurance Exchange		-	-	-	-
<b>State Total</b>					
General Fund		-	132	48	48
MN Health Insurance Exchange		-	-	-	-
<b>Total</b>		<b>-</b>	<b>132</b>	<b>48</b>	<b>48</b>
<b>Biennial Total</b>				<b>180</b>	<b>96</b>

<b>Full Time Equivalent Positions (FTE)</b>		<b>Biennium</b>		<b>Biennium</b>	
		<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
<b>Commerce Dept</b>					
General Fund		-	.5	.5	.5
<b>MNSure</b>					
MN Health Insurance Exchange		-	-	(28)	(48)
<b>Total</b>		<b>-</b>	<b>.5</b>	<b>(27.5)</b>	<b>(47.5)</b>

**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: 03/27/2018  
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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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
<b>Dollars in Thousands</b>		<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
					<b>FY2021</b>
Commerce Dept					
General Fund	-	132	48	48	48
MNsure	-	-	-	-	-
MN Health Insurance Exchange	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>132</b>	<b>48</b>	<b>48</b>	<b>48</b>
<b>Biennial Total</b>			<b>180</b>		<b>96</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Commerce Dept					
General Fund	-	132	48	48	48
MNsure	-	-	-	-	-
MN Health Insurance Exchange	-	-	(4,676)	(9,127)	(9,126)
<b>Total</b>	<b>-</b>	<b>132</b>	<b>(4,628)</b>	<b>(9,079)</b>	<b>(9,078)</b>
<b>Biennial Total</b>			<b>(4,496)</b>		<b>(18,157)</b>
<b>2 - Revenues, Transfers In*</b>					
Commerce Dept					
General Fund	-	-	-	-	-
MNsure	-	-	-	-	-
MN Health Insurance Exchange	-	-	(4,676)	(9,127)	(9,126)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(4,676)</b>	<b>(9,127)</b>	<b>(9,126)</b>
<b>Biennial Total</b>			<b>(4,676)</b>		<b>(18,253)</b>

## HF3543 - 0 - "Modify Funding MNsure Operations Authority"

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 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	
	FY2017	FY2018	FY2019	FY2020	FY2021
Dollars in Thousands					
MN Health Insurance Exchange	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
MN Health Insurance Exchange	-	-	(28)	(48)	(48)
Total	-	-	(28)	(48)	(48)

**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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
<b>Dollars in Thousands</b>		<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
					<b>FY2021</b>
MN Health Insurance Exchange	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>				-	-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
MN Health Insurance Exchange	-	-	(4,676)	(9,127)	(9,126)
<b>Total</b>	-	-	<b>(4,676)</b>	<b>(9,127)</b>	<b>(9,126)</b>
<b>Biennial Total</b>			<b>(4,676)</b>		<b>(18,253)</b>
<b>2 - Revenues, Transfers In*</b>					
MN Health Insurance Exchange	-	-	(4,676)	(9,127)	(9,126)
<b>Total</b>	-	-	<b>(4,676)</b>	<b>(9,127)</b>	<b>(9,126)</b>
<b>Biennial Total</b>			<b>(4,676)</b>		<b>(18,253)</b>

**Bill Description**

Section 1 of this bill would reduce MNsure's premium withhold beginning in calendar 2019 from 3.5% of total premiums to 2.0% of total premiums. Additionally, it would alter MNsure's maximum premium withhold revenue collected from 100% of the 2012 Minnesota Comprehensive Health Association (2012) assessment amount (\$164 million) to 25% of the 2012 MCHA assessment amount (\$41 million). It would also prohibit MNsure and the Department of Human Services (DHS) from modifying interagency agreements as a result of these changes.

Section 2 would require the MNsure Board to certify all health plans meeting minimum qualified health plan certification requirements, and prohibit the establishment of additional certification requirements.

Section 3 would prohibit DHS from offering health coverage available for purchase through or outside MNsure that could serve as an alternative to purchasing a qualified health plan.

Section 4 would require the Department of Commerce to submit a federal waiver request seeking to allow individuals to receive advanced premium tax credits and cost-sharing reductions when purchasing health plans directly from health plan companies, outside of the MNsure exchange.

Section 5 would require health carriers to account for reductions in MNsure's premium withhold in setting plan rates for calendar 2019.

**Assumptions**

MNsure assumes costs associated with drafting and submitting a federal waiver request will be borne entirely by the Department of Commerce. MNsure has not evaluated the fiscal impact associated with approval of such a waiver.

MNsure has not built an enrollment or premium withhold revenue projection for enrollment years beyond 2020. For purposes of this fiscal note, MNsure assumes premium withhold revenue in the first six months of enrollment year 2021 will be identical to that of the first six months of 2020.

MNsure has not built staff FTE projections for years beyond fiscal year 2019. For purposes of this fiscal note, MNsure assumes reductions in MNsure's revenue will result in proportional reductions in staff FTE from current levels.

**Expenditure and/or Revenue Formula**

Because MNsure must balance its budget, all reductions in revenue are offset by equivalent reductions in expenditures.

		Current Law Projected Withhold Revenue	PWH%	Updated Projected Withhold Revenue	PWH%	Revenue Loss
EY16	Jul-Dec16	\$5,328,747	3.5%	\$5,328,747	3.5%	\$0
EY17	Jan-Jun17	\$11,605,543	3.5%	\$11,605,543	3.5%	\$0
EY17	Jul-Dec17	\$10,526,447	3.5%	\$10,526,447	3.5%	\$0
EY18	Jan-Jun18	\$10,969,671	3.5%	\$10,969,671	3.5%	\$0
EY18	Jul-Dec18	\$10,396,023	3.5%	\$10,396,023	3.5%	\$0
EY19	Jan-Jun19	\$10,910,466	3.5%	\$6,234,552	2.0%	\$4,675,914
EY19	Jul-Dec19	\$10,391,419	3.5%	\$5,937,954	2.0%	\$4,453,465
EY20	Jan-Jun20	\$10,906,037	3.5%	\$6,232,021	2.0%	\$4,674,016
EY20	Jul-Dec20	\$10,387,251	3.5%	\$5,935,572	2.0%	\$4,451,679
EY21	Jan-Jun21	\$10,906,037	3.5%	\$6,232,021	2.0%	\$4,674,016

Translated to fiscal years:

		Current Law Projected Withhold Revenue	Updated Projected Withhold Revenue	Revenue Loss
FY17	Jul-Dec16	\$5,328,747	\$5,328,747	\$0
FY17	Jan-Jun17	\$11,605,543	\$11,605,543	\$0
<b>FY17</b>		<b>\$16,934,290</b>	<b>\$16,934,290</b>	<b>\$0</b>
FY18	Jul-Dec17	\$10,526,447	\$10,526,447	\$0
FY18	Jan-Jun18	\$10,969,671	\$10,969,671	\$0
<b>FY18</b>		<b>\$21,496,118</b>	<b>\$21,496,118</b>	<b>\$0</b>
FY19	Jul-Dec18	\$10,396,023	\$10,396,023	\$0
FY19	Jan-Jun19	\$10,910,466	\$6,234,552	\$4,675,914
<b>FY19</b>		<b>\$21,306,489</b>	<b>\$16,630,575</b>	<b>\$4,675,914</b>
FY20	Jul-Dec19	\$10,391,419	\$5,937,954	\$4,453,465
FY20	Jan-Jun20	\$10,906,037	\$6,232,021	\$4,674,016
<b>FY20</b>		<b>\$21,297,456</b>	<b>\$12,169,975</b>	<b>\$9,127,481</b>
FY21	Jul-Dec20	\$10,387,251	\$5,935,572	\$4,451,679
FY21	Jan-Jun21	\$10,906,037	\$6,232,021	\$4,674,016
<b>FY21</b>		<b>\$21,293,288</b>	<b>\$12,167,593</b>	<b>\$9,125,695</b>

FTE translation (current FTE: 188):

	Current budget	Loss	Percent reduction	FTE reduction
FY17	\$44,362,000	\$0	0.00%	0
FY18	\$43,535,000	\$0	0.00%	0
FY19	\$30,956,312	\$4,675,914	15.10%	28
FY20	\$35,640,000	\$9,127,481	25.61%	48
FY21	\$35,640,000	\$9,125,695	25.61%	48

### **Long-Term Fiscal Considerations**

A reduction of MNSure's premium withhold from 3.5% to 2.0% would have substantial implications for MNSure's budget

and would put at risk MNsure's ability to effectively execute essential business, customer service, and outreach functions. Since premium withhold revenues fund activities and outreach that primarily serve private plan enrollees, such a reduction would be borne almost entirely by business functions that serve private plan enrollees. This reduction would also undermine MNsure's ability to make technological improvements to the current system.

MNsured has not evaluated the impact of federal approval for a waiver permitting individuals to receive advanced premium tax credits and cost-sharing reductions when purchasing health plans outside of the MNsure exchange. Under current law, MNsure receives no revenue when an individual purchases coverage outside of MNsure. MNsure assumes it would continue to provide the service of assessing individuals' tax credit eligibility to all comers, even if such tax credits are used to purchase off-exchange coverage. MNsure assumes such a change would lead to a decline in enrollment through the MNsure exchange and therefore a further decline in MNsure's premium withhold revenue, without substantially reducing MNsure's workload. Such a change by itself could have substantial implications for MNsure's budget and could put at risk MNsure's ability to effectively execute essential business, customer service, and outreach functions.

### **Local Fiscal Impact**

### **References/Sources**

MNsured's premium withhold revenue projections are available here: [https://www.mnsure.org/assets/Bd-2018-03-14-DRAFT-pwh-projections-ey17-18-19-20\\_tcm34-330338.pdf](https://www.mnsure.org/assets/Bd-2018-03-14-DRAFT-pwh-projections-ey17-18-19-20_tcm34-330338.pdf).

MNsured's three-year financial plan, as approved by the MNsure Board of Directors on March 14, 2018, is available here: [https://www.mnsure.org/assets/MNsured-FY18-19-20-preliminary-3-yr-finl-plan\\_tcm34-330501.pdf](https://www.mnsure.org/assets/MNsured-FY18-19-20-preliminary-3-yr-finl-plan_tcm34-330501.pdf).

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## HF3543 - 0 - "Modify Funding MNsure Operations Authority"

Chief Author: **Greg Davids**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **03/27/2018**  
 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	
	FY2017	FY2018	FY2019	FY2020	FY2021
Dollars in Thousands					
General Fund	-	132	48	48	48
Total	-	132	48	48	48
Biennial Total			180		96

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	.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.

EBO Signature: Marianne Conboy Date: 3/27/2018 10:53:24 AM  
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**State Cost (Savings) Calculation Details**

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

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>
<b>Dollars in Thousands</b>		<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
					<b>FY2021</b>
General Fund	-	132	48	48	48
<b>Total</b>	-	<b>132</b>	<b>48</b>	<b>48</b>	<b>48</b>
<b>Biennial Total</b>			<b>180</b>		<b>96</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	132	48	48	48
<b>Total</b>	-	<b>132</b>	<b>48</b>	<b>48</b>	<b>48</b>
<b>Biennial Total</b>			<b>180</b>		<b>96</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

**Bill Description**

House File 3543 amends Minn. Stat. §62V05 makes changes to 62V.05, amending sections related to MNsure operations.

Section 4 requires the commissioner of commerce to seek any necessary federal waivers to allow individuals to purchase qualified health plans outside of MNsure and receive advance premium tax credits and cost-sharing reductions no later than July 1, 2018. The commissioner shall submit a draft proposal to the MNsure Board and MNsure Legislative Oversight Committee no later than June 1, 2018.

Section 5 requires individual market health and dental plans to take into account the reduction in the premium withhold percentage for calendar year 2019 when setting rates for individual market health plans and dental plans for 2019.

**Assumptions****Federal Waiver Application**

Requirements for states seeking a 1332 waiver are outlined in the Affordable Care Act (ACA). Commerce bases its assumptions in this note on its experience in 2017 applying for, and receiving approval of, a 1332 waiver to establish Minnesota's state-based reinsurance program.

Commerce assumes the agency will produce a 10-year operational and cost projection. This includes required actuarial and economic analyses.

Commerce assumes that in order to complete the waiver application in the required timeline, actuarial and program staff will be required. While Commerce assumes the type of content of a waiver application will be similar to the 1332 waiver application submitted by the state in 2017, the timeline for submission required by House File 3543 may require the Department to contract with either a short-term actuarial employee or outside consultants in order to complete the project.

The 1332 waiver process also requires opportunities for meaningful public input prior to submission of an application. Commerce assumes the agency will hold a minimum of five public meetings throughout Minnesota in May and/or June 2018 in order to comply with this requirement.

Costs for the 1332 waiver application are based on a prior 1332 waiver application which required approximately 1,000 hours of actuary time, and staff costs for coordinating the application and required meetings.

If approved, 1332 waivers are approved for five-year periods. Commerce assumes costs associated with fulfilling federal regulatory and reporting requirements if a waiver is approved will be ongoing throughout the five-year lifespan of the 1332 waiver. The state is also required to hold annual opportunities for meaningful public input on the waiver throughout the lifespan of the waiver.

### **Rate Evaluations**

Commerce assumes health plan companies will take into account the changes allowed in section five of the bill and incorporate them into annual rate filings. Commerce assumes no additional costs to the agency associated with this requirement.

### **Expenditure and/or Revenue Formula**

Waiver Application:

Actuarial and economic modeling (FY18-\$108,000) - \$108/hr x 1,000 hours

.5 FTE - State Program Administrator to coordinate application and public meetings - \$24,000 for FY18

Waiver Administration:

.5 FTE - State Program Administrator to assist in federal reporting and coordination of ongoing public meetings (\$48,000 for FY19 and beyond). If the state's application is approved, Commerce assumes the waiver administration costs will be ongoing for the five year lifespan of the waiver.

### **Long-Term Fiscal Considerations**

Commerce assumes costs associated with actuarial and economic modeling are one-time.

Commerce assumes costs associated with ongoing federal regulatory and reporting requirements will be ongoing for five years if the state's waiver application is approved.

### **Local Fiscal Impact**

N/A

### **References/Sources**

**Agency Contact:**

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**HF3543 - 0 - "Modify Funding MNsure Operations Authority"**

Chief Author: **Greg Davids**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **03/27/2018**  
 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

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 Reductions shown in the parentheses.

<b>State Cost (Savings)</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

<b>Full Time Equivalent Positions (FTE)</b>		<b>Biennium</b>			<b>Biennium</b>	
		FY2017	FY2018	FY2019	FY2020	FY2021
<b>Total</b>		-	-	-	-	-

**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: 3/27/2018 10:29:45 AM  
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**State Cost (Savings) Calculation Details**

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<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**Bill Description**

This legislation reduces the premium withhold for health plans sold through MNsure, removes certain criteria for the MNsure board related to Qualified Health Plan (QHP) certifications, prohibits DHS from assuming insurance risk and offering individual health plans, and specifies a date by which the Commissioner of Commerce must submit a federal waiver permitting QHP offerings outside of MNsure.

**Assumptions**

This bill has no fiscal impact on the DHS budget.

This legislation reduces the premium withhold on individual and small group plans and dental plans sold through MNsure from 3.5 percent of total premiums to 2.0 percent effective January 2019 and prohibits DHS from adjusting its cost allocation plans in response to lower premium withhold revenue.

DHS receives funding from the legislature to administer the Medical Assistance (MA) and MinnesotaCare programs. Funds appropriated to DHS are cost allocated to MNsure to support the technology and operational activities that benefit MA and MinnesotaCare enrollees. Any change in MNsure revenue does not change the public cost allocation plan which is based on the relative benefit of shared resources that benefit DHS programs. If this bill were passed, DHS will continue using existing administrative funds to support the operation of DHS programs and allocate costs to MNsure where appropriate.

This bill also prohibits DHS from offering health coverage programs as an alternative to either QHP or individual health plans sold outside of MNsure. DHS administers the MinnesotaCare and MA programs under sections 256L and 256B of Minnesota Statute and does not offer other health coverage programs. This provision has no impact on DHS.

**Expenditure and/or Revenue Formula**

N/A

**Long-Term Fiscal Considerations**

None

**Local Fiscal Impact**

None

**References/Sources**

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