HF3717 - 16A - Minnesota Premium Security Plan Extended

Chief Author: **Zack Stephenson**
Commitee: **Ways And Means**
Date Completed: **3/13/2022 7:04:37 PM**
Lead Agency: Commerce Dept
Other Agencies:
Human Services Dept
Minn Management and Budget
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	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Commerce Dept					
General Fund	-	108	559	559	559
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	-	1,961	1,321	26,680
Health Care Access	-	-	53,404	113,503	93,762
MNsure					
General Fund	-	-	2,100	4,288	4,561
Minn Management and Budget	-	-	-	-	-
General Fund	-	-	-	110,673	-
Health Care Access	-	-	-	(110,673)	-
State Total					
General Fund	-	108	4,620	116,841	31,800
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	-	-
Health Care Access	-	-	53,404	2,830	93,762
Total	**-**	**108**	**58,024**	**286,772**	**322,168**
Biennial Total			**58,132**		**608,940**

Full Time Equivalent Positions (FTE)		**Biennium**		**Biennium**	
	FY2021	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Commerce Dept					
General Fund	-	.5	2.5	2.5	2.5
Restrict Misc. Special Revenue	-	-	-	-	-
Federal Fund	-	-	-	-	-

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Human Services Dept					
General Fund	-	-	7.25	7.25	-
Health Care Access	-	-	-	-	-
MNsure					
General Fund	-	-	-	-	-
Minn Management and Budget	-	-	-	-	-
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	**-**	**.5**	**9.75**	**9.75**	**2.5**

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Darren Sheets **Date:** 3/13/2022 7:04:37 PM
Phone: 651-297-1423 **Email:** darren.sheets@lbo.mn.gov

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	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Commerce Dept					
General Fund	-	108	559	559	559
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	-	1,961	1,321	26,680
Health Care Access	-	-	53,404	113,503	93,762
MNsure					
General Fund	-	-	2,100	4,288	4,561
Minn Management and Budget	-	-	-	-	-
General Fund	-	-	-	110,673	-
Health Care Access	-	-	-	(110,673)	-
Total	**-**	**108**	**58,024**	**286,772**	**322,168**
Biennial Total			**58,132**		**608,940**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Commerce Dept					
General Fund	-	108	559	559	559
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	77,577	77,577
Human Services Dept					
General Fund	-	-	1,961	1,321	26,680
Health Care Access	-	-	53,404	113,503	93,762
MNsure					
General Fund	-	-	2,100	4,288	4,561
Minn Management and Budget	-	-	-	-	-
General Fund					
Expenditures	-	-	-	-	-
Transfers Out	-	-	-	110,673	-
Health Care Access	-	-	-	-	-
Total	**-**	**108**	**58,024**	**475,022**	**399,745**
Biennial Total			**58,132**		**874,767**
2 - Revenues, Transfers In*					
Commerce Dept					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Federal Fund	-	-	-	77,577	77,577
Human Services Dept					
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
MNsure					
General Fund	-	-	-	-	-
Minn Management and Budget	-	-	-	-	-

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Health Care Access					
Revenues	-	-	-	-	-
Transfers In	-	-	-	110,673	-
Total	**-**	**-**	**-**	**188,250**	**77,577**
Biennial Total			**-**		**265,827**

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Chief Author:	**Zack Stephenson**
Commitee:	**Ways And Means**
Date Completed:	**3/13/2022 7:04:37 PM**
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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	108	559	559	559
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	-	-
Total	**-**	**108**	**559**	**167,660**	**197,165**
Biennial Total			**667**		**364,825**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	.5	2.5	2.5	2.5
Restrict Misc. Special Revenue	-	-	-	-	-
Federal Fund	-	-	-	-	-
Total	**-**	**.5**	**2.5**	**2.5**	**2.5**

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Darren Sheets **Date:** 3/11/2022 4:34:06 PM
Phone: 651-297-1423 **Email:** darren.sheets@lbo.mn.gov

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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	108	559	559	559
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	-	-
Total	**-**	**108**	**559**	**167,660**	**197,165**
Biennial Total			**667**		**364,825**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	108	559	559	559
Restrict Misc. Special Revenue	-	-	-	167,101	196,606
Federal Fund	-	-	-	77,577	77,577
Total	**-**	**108**	**559**	**245,237**	**274,742**
Biennial Total			**667**		**519,979**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Federal Fund	-	-	-	77,577	77,577
Total	**-**	**-**	**-**	**77,577**	**77,577**
Biennial Total			**-**		**155,154**

Bill Description

House File 3717-16A incorporates the amendments drafted for HF3717-13A and HF3717-1E.

House File 3717-13A extends the Minnesota Premium Security Plan (MPSP) through 2027 and amends Minn. Stat. § 62E.23, subd. 3; Laws 2017, chapter 13, article 1, section 15, and Laws 2021, First Special Session chapter 7, article 15, section 3 to reflect the extension of the plan.

A2

House File 3717-A2 modifies cost-sharing requirements for MinnesotaCare under Minn. Stat. § 256L.03, subd. 5. The amendment establishes 94% actuarial value as the minimum value, allowing for potentially increased actuarial value of MinnesotaCare plans. Current statute requires plans to be at 94% actuarial value.

A4

House File 3717-A4 requires health plans selling individual and small group policies to offer a flat, pre-deductible copayment amount for prescription drug services to enrollees for at least 25 percent of their policy offerings at each metal level in a geographic rating area.

A7

House File 3717-A7 modifies Minn. Stat. § 62K.06, subd. 2 by requiring health plans to offer a platinum plan in any service area in which the health plan already offers a bronze or catastrophic plan.

A8

House File 3717-A8 removes section 4 from HF3717 as introduced. Section 4 of HF3717 is the current placeholder for funds to be transferred from the general fund to the MPSP account.

A9

House File H3717-A9 alters Minn. Stat. § 62E.10 by expands the Minnesota Comprehensive Health Association (MCHA) board makeup from 13 to 19 members. The Commissioner of Commerce (or a designee) is listed in the amendment language as being required to be on the board. Additionally, the amendment requires Commerce to appoint five directors to the board.

A10

House File 3717-A10 creates the Mental Health Parity Accountability Office within the Department of Commerce. The Office is required to oversee compliance reviews with state and federal mental health parity laws, conduct investigations regarding complaints, and engage in consumer outreach. The amendment appropriates $500,000 for FY2023.

A11

The A11 amendment requires health plans to provide coverage for a “comprehensive postnatal visit,” which is defined as “a full assessment of the mother and infant’s physical, social, and psychological well-being” The well-being component of the amendment language applies to mood, emotion, infant care and feeding, sexuality, contraception and birth spacing, sleep and fatigue, physical recovery from birth, and maintenance of health and/or chronic disease.

The amendment requires health plans to provide coverage for three comprehensive postnatal visits at the following frequency 1) no more than three weeks post-delivery; 2) between three and 11 weeks post-delivery; and 3) 12 weeks from the date of delivery.

A13

House File 3717-A13 adds language throughout HF3717 to establish that the effective dates of various sections are upon federal approval of a continuation request of Minnesota’s Section 1332 Waiver. The amendment specifies that MMB must transfer $42,465,000 to the health care access fund by June 30, 2024 to replace federal revenue for state basic health care costs that is lost as a result of continuation of the premium security plan.

A16

House File 3717-A16 adds two lines of text, each of which are identical, to 3.18 and 3.23 of HF3717, specifying that “the health plan company offers” immediately before “apply” of the corresponding lines. Additionally, this amendment adds the following language: “Neither a health plan company nor a pharmacy benefit manager, as defined in section 62W.02, subdivision 15, shall delay or divide payment to a pharmacy or pharmacy provider, as defined in section 62W.02, subdivision 14, because of the co-payment structure of a health plan offered pursuant to this subdivision.”

<u>Assumptions</u>

Background

Section 1332 of the Affordable Care Act (ACA) allows states to pursue innovation strategies that help to provide residents access to high-quality, affordable health insurance. The Secretaries of Health and Human Services (HHS) and the U.S. Treasury Departments have the discretion to approve a state's proposal to waive specific provisions of the ACA, provided certain requirements are met. Changes to 1332 waivers must meet certain conditions, known as "guardrails," relating to the number of covered residents, the comprehensiveness and affordability of coverage, and deficit neutrality to the federal government.

Minnesota's current 1332 waiver authorized the State's premium reinsurance program (the Minnesota Premium Security Plan (MPSP)) and is approved for a five-year period through December 31, 2022. The Minnesota Comprehensive Health Association (MCHA) is responsible for administering the program and the Commerce Department serves as the fiscal agent for state appropriations and federal payments directed to the program. Under the terms and conditions of the current waiver, the State receives Federal pass-through funds in the amount of premium tax credits that Minnesota residents would have been entitled to absent the waiver. Federal funding for the program is contingent upon state funds being available to cover the state's share of the reinsurance program in each plan year of operation.

Assumptions

House File 3717-16A incorporates the amendments drafted for the HF3717-13A and HF3717-1E version.

In this analysis, Commerce assumes current law, including the expiration of Minnesota's reinsurance program at the end of 2022. Commerce assumes that it will need to apply for an extension its current 1332 waiver and subsequently obtain approval from the federal government to continue.

Commerce assumes that the reinsurance program-related language of HF3717 will generate a fiscal impact to the agency of at least $216,000 in the first year, given that an extension application will need to be pursued. Commerce bases this assumption on its estimate of staff time committed to the initial 1332 application, as well as its previous assessment of fiscal impact associated with the extension of its 1332 waiver. The work required for an extension was considered just as, if not more, extensive than that of the initial application.

Commerce assumes that the Department's role in implementation of HF3717 and certain amendments is contingent on federal approval of the State's waiver extension application.

Finally, Commerce assumes that HF3717 nor any of its amendments constitute ACA benefit mandates requiring defrayal of QHP costs.

HF3717Extension of the Minnesota Premium Security Plan

This fiscal note contains assumptions consistent with those made by the agency in its fiscal note on SF761-2E from the previous biennium and SF694 from the 2021 session.

Commerce assumes the MPSP program operations will continue as currently structured.

Commerce assumes the agency will continue in its existing role as fiscal agent for the State and Federal governments.

Commerce assumes that the MPSP attachment point, reinsurance cap, and methodology will remain consistent with previous plan years, and a return to an 80 percent coinsurance rate consistent with the 2021 and prior plan years.

Commerce assumes that there is no cap on the program size. [1]

Commerce assumes reinsurance payments to eligible health insurers will continue to be made in one lump-sum payment in the calendar year following the applicable plan year.

Commerce assumes that reinsurance payments for the MPSP will grow by 12 percent each year of the program through 2026.[2] This reflects#_ftn2a larger than average health care trend assumption associated with reinsurance-eligible claims. Note that the 12 percent growth for plan year 2023 is calculated as two years of 12 percent growth from the size of the plan year 2021 program, as both years would have had an 80 percent coinsurance parameter. The plan year 2022 program has a 60 percent coinsurance parameter.

Commerce assumes there is no interest income in FY25 forward because the fund balance of the premium security account is projected to go negative after plan year 2024.

Commerce assumes a continuation of current federal law, including an end to the expanded ARPA premium tax credit subsidies after plan year 2022. This results in an assumption of decreased enrollment (to pre-ARPA levels) and lower federal pass-through money (to pre-ARPA levels).

Reflecting these assumptions, Commerce assumes the reinsurance program's size will be as follows through 2027:

Plan Year	Estimated Reinsurance Program Size (thousands)*
2018	$ 136,100
2019	$ 149,700
2020	$ 165,000
2021	$ 194,700
2022	$ 188,100
2023	$ 244,257
2024	$ 273,568
2025	$ 306,396
2026	$ 343,164
2027	$ 384,344
* Excludes MCHA expenditures and Commerce admin costs	

Based on the most recent pre-ARPA federal funding estimate, Commerce assumes that federal funding for the reinsurance program will be $77.7 million for plan years 2023-2027. The federal government does not provide estimated future funding amounts and thus Commerce does not have reliable projections of federal funding for future program years. This assumption is consistent with Commerce's assumptions in prior fiscal notes.

Commerce assumes additional agency costs (.5 FTE Actuary and .5 FTE SPA, Prin) from this portion of the bill. FY22 captures 1/2 year, and FY23 a full year, ongoing. Commerce assumes work associated with submitting the required application for a new Section 1332 waiver extension that is required for the program to extend beyond the fifth plan year (2022). As a condition of receiving the 1332 waiver, Commerce staff will be required to provide regular actuarial and programmatic updates to CMS staff. This includes providing quarterly and annual reports on progress the Department has made in operating the approved 1332 waiver as well as answering any ad hoc questions CMS may have about Minnesota's reinsurance program. Commerce staff also evaluate the impact federal pass-through funds have on the program. Additionally, Commerce staff monitor and review MCHA's work. This includes reviewing quarterly actuarial reports conducted by Wakely, MCHA's consulting actuaries and attending the relevant MCHA committee and board meetings.

A2

Commerce assumes no additional fiscal impact to the agency if this amendment were enacted. The amendment addresses actuarial value requirements of MinnesotaCare, which Commerce does not regulate.

A4

Commerce assumes no additional fiscal impact to the agency as a result of this amendment.

Commerce assumes the requirements of this amendment would not constitute a new benefit mandate as understood under Section1311(d)(3) of the ACA, where new benefit mandates not included as essential health benefits (EHBs) specified undersection 1302(b) and added by state law after December 31, 2012 require the state to defray health plan costs associated with providing coverage to enrollees. Section 1311(d)(3) specifies that the state is not required to defray costs of new benefit mandates when unrelated to specific care, treatment, or services.

The language in this amendment is based on HF633-1E, which was introduced in the previous legislative session. This amendment and that bill only alter cost-sharing parameters for prescription drug services. Prescription drugs are included in the EHB set already and altering the cost-sharing for this benefit does not meet the criteria for a new benefit mandate.

A7

Commerce reviews health plan filings as part of annual rate review. Commerce notes that there currently are no platinum plans being actively sold in the individual market as of plan year 2022. While health plan companies may file new platinum products for sale, Commerce assumes that any additional workload can be absorbed utilizing existing resources. Requiring platinum (richer benefit) plans in the market may result in increased reinsurance payments under the MPSP.

A8

Commerce assumes no additional fiscal impact to the agency as a result of this amendment as written. However, removing the placeholder for the amount of funds to be transferred from the general fund to the MPSP account creates uncertainty as to whether there will be enough funds in the account to make payments expected under the reinsurance program.

A9

Commerce assumes no additional fiscal impact to the agency as a result of this amendment. Commerce is required to assign five directors and also participate (or have a designee participate) on the board, but this would not add fiscal impact to the agency.

A10

Commerce assumes that the additional fiscal impact of this amendment will be at least the allotted $500,000 in the first fiscal year. This assumption is based on the staffing needs to establish the office. Commerce assumes that the need for at least one Investigator and one Senior Investigator in a full-time capacity. Additionally, at least 25 percent of time will need to be allocated from both a State Program Administrator Manager and State Program Administrator Coordinator. Commerce assumes that the costs of the program may likely increase after the office is established and the scope and breadth of the work is better understood.

			FY23	FY24	FY25
Salary			201,583	201,583	201,583
Fringe			60,475	60,475	60,475
Other Personnel Related Costs			81,086	81,086	81,086
			343,144	343,144	343,144

A11

Commerce assumes no fiscal impact to the agency from the A11 amendment becoming law. Commerce assumes all services identified under the amendment are covered under Minnesota's EHB benchmark plan.

The requirements of the A11 amendment do not constitute a new benefit mandate as understood under Section 1311(d)(3) of the ACA. New benefit mandates not included as essential health benefits (EHBs) specified under section 1302(b) and added by state law after December 31, 2012 require the State to defray health plan costs associated with providing coverage to enrollees. Section 1311(d)(3) specifies that the state is not required to defray costs of new benefit mandates when unrelated to specific care, treatment, or services.

House File 3717-A11 does not include any new mandated benefits related to specific care, treatment or services that would not normally be covered under the State benchmark plan.

A13

Commerce assumes that this amendment will not have an additional fiscal impact on the agency.

A16

Commerce assumes no fiscal impact to the agency as a result of HF3717-A16 becoming law.

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[1] The reinsurance program costs were capped at $271 million in 2018 and 2019

[2] This assumption is consistent with the February Budget Forecast.

Expenditure and/or Revenue Formula

in 000's	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Balance forward in	$217,730	$160,332	$ 79,343	$ (87,551)	$(284,157)	$(513,622)	$(779,887)
Federal pass-through	$142,727	$107,045	$ 77,577	$ 77,577	$77,577	$ 77,577	$ 77,577
Interest income	$ 938	$ 624	$ 372	$ -	$ -	$ -	$ -
Total Resources	$361,395	$268,001	$157,292	$(9,974)	$(206,580)	$(436,045)	$(702,310)
MCHA expenditures	$ 448	$ 558	$ 586	$ 615	$ 646	$ 678	$ 712
Commerce admin costs (moved to the General Fund)							
Reinsurance payments	$194,667	$188,100	$244,257	$ 273,568	$306,396	$ 343,164	$ 384,344
Transfer to HCAF	$ 5,948	$ -	$ -	$ -	$ -	$ -	$ -
Balance	$160,332	$ 79,343	$(87,551)	$(284,157)	$(513,622)	$(779,887)	$(1,087,366)

Interest income in FY23 and FY24 was estimated by MMB in the February 2022 forecast.

MCHA expenditures for FY22 and FY23 were estimated by MMB in the February 2022 forecast. FY24-FY28 expenditures include a 5% inflation assumption.

The state costs shown on the front page of the Commerce fiscal note were determined by subtracting estimated federal pass-through payments listed above from total estimated MCHA and Commerce expenditures.

Commerce assumed agency admin costs from the General Fund, not the Premium Security Plan Account.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper **Date:** 3/11/2022 7:20:47 AM

Phone: 651-539-1517 **Email:** amy.trumper@state.mn.us

HF3717 - 16A - Minnesota Premium Security Plan Extended

Chief Author:	**Zack Stephenson**
Commitee:	**Ways And Means**
Date Completed:	**3/13/2022 7:04:37 PM**
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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	1,961	1,321	26,680
Health Care Access	-	-	53,404	113,503	93,762
Total	**-**	**-**	**55,365**	**114,824**	**120,442**
Biennial Total			**55,365**		**235,266**

Full Time Equivalent Positions (FTE)			Biennium		Biennium
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	7.25	7.25	-
Health Care Access	-	-	-	-	-
Total	**-**	**-**	**7.25**	**7.25**	**-**

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Steve McDaniel **Date:** 3/12/2022 3:26:06 PM
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State Cost (Savings) Calculation Details
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State Cost (Savings) = 1-2			**Biennium**		**Biennium**
Dollars in Thousands	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
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Total	**-**	**-**	**55,365**	**114,824**	**120,442**
Biennial Total			**55,365**		**235,266**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	1,961	1,321	26,680
Health Care Access	-	-	53,404	113,503	93,762
Total	**-**	**-**	**55,365**	**114,824**	**120,442**
Biennial Total			**55,365**		**235,266**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Bill Description

Section 2 directs the Minnesota Comprehensive Health Association (MCHA) to administer the premium security plan at 80% from plan years 2023 through 2027.

Section 6 requires Medical Assistance (MA) to cover comprehensive postnatal visits as defined.

Section 7 requires the Commissioner of the Department of Human Services to maintain the actuarial value (AV) of the MinnesotaCare benefit at no less than 94 percent.

Section 11 directs the Commissioner of the Department of Human Services to present a report comparing service delivery and payment system models for delivering services to medical assistance enrollees under the Modified Adjusted Gross Income (MAGI) methodology and MinnesotaCare enrollees as specified.

Section 12 directs the Commissioner of the Department of Human Services to consult with the Centers for Medicare and Medicaid Services (CMS), the Internal Revenue Service (IRS), and other federal agencies to develop a proposal for a public option program.

Section 13 directs the Commissioner of Management and Budget to transfer $42.465m from the general fund (GF) to the health care access fund (HCAF) to replace any federal Basic Health Plan (BHP) costs lost as a result of the extension of the premium security plan through plan year (calendar year) 2023.

Assumptions

Extension of the Premium Security Plan

MinnesotaCare, the state's Basic Health Program (BHP), receives federal funding equivalent to 95 percent of the premium tax credits that each BHP enrollee would have received through MNsure if the state did not operate a BHP. Premium tax credits are based on second lowest cost silver plan premiums available in the market. The 1332 waiver for the premium security plan was only partially approved by the Centers for Medicare and Medicaid Services (CMS). CMS did not approve the request to hold MinnesotaCare harmless from the reduction in individual market premiums. As a result, if the premium security plan is extended, MinnesotaCare would experience reduced federal BHP revenue due to the reduction in individual market premiums, including the second lowest cost silver plan rates. This fiscal note reflects this projected reduction in federal BHP funding, which would need to be replaced with state funding.

An extension of the premium security plan is expected to reduce premiums in the individual market. The February 2022 forecast assumes that individual market premiums will increase at the end of the current reinsurance program, which is set to expire effective January 2023. This fiscal note assumes that the introduction of a reinsurance program effective in plan year 2023 would lower individual market premiums by 20% compared to what is currently held in the forecast.

This will reduce federal funding amounts in the Basic Health Plan Trust Fund in over the budget horizon (state fiscal years 2023-2025) and beyond. This shifts higher state cost to those fiscal years. Lost revenue due to the extension of reinsurance through Calendar Year 2023 is accounted for in Section 13 of the bill.

Under the February 2022 forecast the Health Care Access Fund (HCAF) is projected to have a balance of $561 million in fiscal year 2022, $652 million in fiscal year 2023, $300 million in fiscal year 2024 and $261 million in fiscal year 2025.

The current forecast reflects a statutory transfer of $122 million in fiscal years 2023, 2024, and 2025 that is contingent on an available balance in the HCAF.

Increased spending in the HCAF will reduce the available balance in that fund in FY2025, and will result in an increased cost to the general fund as the contingent transfer would be reduced by $26.680m in FY25 due to fewer available fund; this would be offset in the net by the corresponding increase to the HCAF due to this reduced transfer out of that fund.

Medical Assistance (MA) Coverage for Comprehensive Postnatal Visits

Medical Assistance currently covers postnatal visits as required under the amended MS 62Q.521. There is no fiscal impact to the Department due to this language.

MinnesotaCare Actuarial Value

The current Actuarial Value of MinnesotaCare is about 94.2%, which is in compliance with this language.

Service Delivery/Payment System Model and Public Option Studies

Section 9 directs the Commissioner to complete a report, due January 15, 2024, that compares service delivery and payment system models for people enrolled in Medical Assistance (MA) under the Modified Adjusted Gross Income (MAGI) population (also commonly referred to as the “expansion population”), and enrollees in the MinnesotaCare program. The report must compare the current delivery system with at least two others, including a state-based model with the state acting as the insurer. This section outlines possible alternative models, and is required to include possible impacts of each model on various outcomes and an implementation timeline.

Section 10 directs the Commissioner to complete a proposal, due December 15, 2023, in consultation with relevant federal agencies, for a public option. Possible structures must include at least one option that would expand enrollment into MinnesotaCare. Each possible structure must allow people with incomes above 200% of the Federal Poverty Guideline (FPG) to purchase MinnesotaCare coverage, allow undocumented noncitizens the ability to purchase, and establish a small employer public option. Possible structures must also maximize federal funding and continue receipt of basic health program (BHP) payments, and must continue the existing MinnesotaCare program. Each proposal must include a premium scale, the impact on enrollment in MNsure plans, actuarial and financial analyses, and costs of implementation of the public option within existing eligibility and enrollment technology systems, and alternative systems. Lastly, the public option design must include mechanisms to ensure long-term financial sustainability of MinnesotaCare and mitigate adverse financial impacts to MNsure.

To complete this report and proposal, DHS requires administrative resources, including 7.25 temporary FTEs. Duties are outlined as followed:

- 2 FTEs (MAPE 17L) in the Purchasing and Service Delivery division to manage contracts, coordinate and compile review and analysis of service delivery options, assess fiscal impacts, evaluate options for eligibility and enrollment systems with respect to alternative purchasing models, and complete reports required;
- 0.25 FTE (MAPE 17L) in the Health Care Research and Quality division to complete data analysis;
- 2 FTEs (MAPE 17L) in the Health Care Eligibility and Access division to conduct eligibility policy research and analysis to develop and assess the different potential public options, inform and assist federal agency and state agency communication and collaboration, and engage stakeholders in the proposal development process. These FTEs would also identify and recommend legislative changes needed to implement and would also provide input into the health care eligibility and enrollment systems options and alternative options analysis from

a policy perspective;

· 2 FTEs (MAPE 11L) in the Health Care Eligibility Operations division to assess health care eligibility and enrollment systems options and alternatives from an operational perspective, and;

· 1 FTE (MAPE 17L) in the Health Care Federal Relations division to work with federal partners as required in the study language;

FTEs are assumed to begin in October of 2022, and require an up-front administrative cost of $15,150, and ongoing monthly administrative costs of $1,275. Fringe benefits are estimated at 30% of salary. FTEs are assumed to work through June of 2024 to offer continued expertise in response to questions and analysis needed after the publishing of the reports in late 2023 and early 2024. Federal Financial Participation (FFP) is assumed at 32%.

DHS would require three contracts as part of these provisions:

· $1 million for actuarial analysis required in the language;

· $450,000 for data gathering and analysis required in both sections, and;

· $600,000 for an IT vendor to analyze alternative health care eligibility and enrollment technology systems.

FFP is assumed at 32% for a quarter of the costs of the first two contracts outlined above; analysis would be conducted on four distinct populations (MA MAGI, MinnesotaCare, undocumented noncitizens, and small employers), and is only considered applicable for MA. The third contract is not assumed to draw down FFP.

MNIT@DHS would require administrative costs to assess the cost of implementation of the various public option structures within existing eligibility and enrollment technology systems. This would incur a total cost of FYs 23-24 of $220,480, which includes fringe and base salary costs for 2080 hours. No FFP is assumed for these costs.

General Fund to Health Care Access Fund Transfer

Section 13 directs the Commissioner of Minnesota Management and Budget (MMB) to transfer $42.465m from the General Fund (GF) to the Health Care Access Fund (HCAF) by the end of FY2024 for state basic health plan costs related to the loss of federal revenue associated with the extension of the premium security plan through plan year 2023. Plan year 2023 runs through calendar year 2023. The total loss of federal revenue for that time period includes costs in FY23 and a portion of the costs in FY24, for a total of $110.673 million. This transfer is included in the MMB portion of this fiscal note.

Expenditure and/or Revenue Formula

		FY 2022	FY 2023	FY 2024	FY 2025
Total HCAF Cost for Reinsurance		**$0**	**$53,403,896**	**$113,503,465**	**$120,442,469**

Summary

Fiscal Tracking Summary ($000's)						
Fund	**BACT**	**Description**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
HCAF	31	MinnesotaCare Grants	0	53,404	113,503	120,442
GF	31	Reduced HCAF Transfer to the General Fund	0	0	0	26,680

HCAF	31	Reduced HCAF Transfer to the General Fund	0	0	0	(26,680)
GF	13	HCA Admin - FTE (0, 7.25, 7.25, 7.25)	0	774	885	0
GF	13	HCA Admin - Contracts (non FFP eligible)	0	1,124	564	0
GF	13	HCA Admin - Contracts (FFP eligible)	0	241	121	0
GF	REV1	FFP @ 32% - FTEs and applicable contracts	0	(325)	(322)	0
GF	11	MNIT architects	0	147	73	0
		Total Net Fiscal Impact		**55,365**	**114,824**	**120,442**
		Full Time Equivalents	0	7.25	7.25	0

Long-Term Fiscal Considerations

The state forecast does not extend beyond State Fiscal Year 2025. As reinsurance is effective through plan year 2027, there would likely be a state impact in FYs 2026, 2027, and half of 2028.

On June 21, 2021, the Departments of Human Services and Commerce received a letter from the Centers for Medicare and Medicaid Services (CMS) indicating that CMS intends to revisit the intersection of section 1332 waivers (including reinsurance) and the Basic Health Program (BHP) funding formula. The State has not yet received updated guidance. This fiscal note assumes that the current formula will continue to apply.

Local Fiscal Impact

References/Sources

February 2022 Forecast

February 2022 HCAF Balance Sheet

https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Approval-Letter-MN.pdf
October 16, 2017

Agency Contact: Elyse Bailey, 651-402-7046

Agency Fiscal Note Coordinator Signature: Elyse Bailey **Date:** 3/12/2022 3:11:42 PM

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HF3717 - 16A - Minnesota Premium Security Plan Extended

Chief Author:	**Zack Stephenson**
Commitee:	**Ways And Means**
Date Completed:	**3/13/2022 7:04:37 PM**
Agency:	Minn Management and Budget

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	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
General Fund	-	-	-	110,673	-
Health Care Access	-	-	-	(110,673)	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2021	**FY2022**	**FY2023**	**FY2024**	**FY2025**
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.
MMB assumes the transfer amount specified in Section 9 will be changed to $110,673,087 via bill amendment. This is the amount shown in this fiscal note.

LBO Signature: Joel Enders **Date:** 3/13/2022 6:50:25 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	110,673	-
Health Care Access	-	-	-	(110,673)	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund					
Expenditures	-	-	-	-	-
Transfers Out	-	-	-	110,673	-
Health Care Access	-	-	-	-	-
Total	**-**	**-**	**-**	**110,673**	**-**
Biennial Total			**-**		**110,673**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Health Care Access					
Revenues	-	-	-	-	-
Transfers In	-	-	-	110,673	-
Total	**-**	**-**	**-**	**110,673**	**-**
Biennial Total			**-**		**110,673**

Bill Description

Section 9 of HF3717-1E requires Minnesota Management and Budget (MMB) to shall transfer $42,465,000 from the general fund to the health care access fund by June 30, 2024. The effective date of this section is Janaury 1, 2023, but only if the continuation of the state innovation waiver described in Laws 2021, First Special Session chapter 7, article 15, section 4 is approved and results in a loss of federal revenue for the state basic health plan for plan year 2023. MMB must notify the revisor of statutes upon this occurence.

Amendment 11 requires health insurance companies to provide coverage for comprehensive postnatal care to women and babies. The effective date for this section is January 1, 2023, and applies to health plans offered, issues, or renewed on or after that date.

Assumptions

MMB administers the State Employee Group Insurance Program (SEGIP) which provides health, dental, life and other benefits to eligible State employees and their dependents, and other groups including quasi-state agencies under the legislative authority provided in Minnesota Statutes 43A. Health benefits are provided through the self-funded Minnesota Advantage Health Plan. SEGIP is considered a large group health plan with over 131,000 members. SEGIP contracts with three health plan administrators to administer medical benefits and a Pharmacy Benefit Manager (PBM) to administer its prescription drug benefit.

Amendment 11 requires SEGIP to provide comprehensive postnatal care to women and children. SEGIP's Advantage plan already covers the bill's required comprehensive postnatal care and therefore there is no cost to SEGIP for this bill.

MMB assumes the transfer amount in section 9 will be changed to $110,673,087 in an amendment to the bill. This is the amount shown in this fiscal note.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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HF3717 - 16A - Minnesota Premium Security Plan Extended

Chief Author:	**Zack Stephenson**
Commitee:	**Ways And Means**
Date Completed:	**3/13/2022 7:04:37 PM**
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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	2,100	4,288	4,561
Total	**-**	**-**	**2,100**	**4,288**	**4,561**
Biennial Total			**2,100**		**8,849**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature:	Carlos Guereca	**Date:**	3/10/2022 11:16:37 AM
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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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	2,100	4,288	4,561
Total	**-**	**-**	**2,100**	**4,288**	**4,561**
Biennial Total			**2,100**		**8,849**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	2,100	4,288	4,561
Total	**-**	**-**	**2,100**	**4,288**	**4,561**
Biennial Total			**2,100**		**8,849**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Bill Description

This bill would extend the Minnesota Premium Security Plan, the reinsurance program administered by the Minnesota Comprehensive Health Association, for plan years 2023 through 2027.

The bill also requires health insurance carriers that offer individual and small group health plans to ensure that at least 25 percent of the individual health plans the company offers include a pre-deductible, flat dollar co-pay structure on prescription drugs in each geographic area the company offers plans. Carriers must meet this requirement for plans offered both on and outside MNsure. This applies to health plans offered, issued or renewed on or after January 1, 2024.

The bill also requires health insurance carriers to provide coverage for certain postnatal care. This applies to health plans offered, issued, or renewed on or after January 1, 2023.

Assumptions

MNsure assumes federal approval of the 1332 waiver to extend the reinsurance program for the information that follows.

This bill would have no direct administrative effect on MNsure, as the reinsurance program is administered by the Minnesota Comprehensive Health Association.

An actuarial analysis on market participation would need to be conducted in order for MNsure to predict consumer behavior based on the absence of the reinsurance program. The subsidized population on the exchange changes from year to year; as of January 2021 over 58% of MNsure enrollees were receiving federal premium tax credits, which can mitigate the effects of rate fluctuations. Historically, MNsure has seen year-over-year growth in member months even during plan years when rates increased significantly. Given the level of uncertainty and the myriad factors that impact market rates and consumer behavior, MNsure assumes member months for participation within the exchange will remain constant with MNsure's annual lapse rate both with and without reinsurance.

For purposes of this fiscal note, MNsure has conformed its premium projections to those used by the Department of Human Services and the Department of Commerce. These projections include a 20% reduction to premiums caused by reinsurance and a year-over-year growth rate based on National Health Expenditure projections.

Reductions in premiums as a result of reinsurance reduce MNsure’s premium withhold revenue. In order to absorb the reinsurance reductions in premium rates occurring in plan years 2018 and 2019, the first two years of the reinsurance program, MNsure spent down its carryforward balance. When the 2019 legislature extended reinsurance for an additional two plan years through December 2021, MNsure received a one-time $8 million general fund appropriation to make up for expected revenue loss. In 2021 when the program was extended for one additional year, MNsure again received a $3.8 million appropriation for expected revenue loss.

The Centers for Medicare and Medicaid Services (CMS) encourages state-based exchanges to build a reserve of 6-9 months of operating capital. Based on budget projections published from the October 2021 MNsure board meeting, MNsure will conclude FY22 with under one month of operating capital. Therefore, MNsure assumes the legislature will appropriate funding to make up for the lost revenue created by extending the reinsurance program and decreasing market prices for qualified health plans.

MNsure assumes this funding would be appropriated from the general fund and transferred into the MNsure enterprise fund. For the 2022-2023 biennium, $2.1 million would be transferred from the General Fund. For the 2024-2025 biennium, $8.849 million would be transferred from the General Fund. For the 2026-2027 biennium, $10.058 million would be transferred from the General Fund. For the 2028-2029 biennium, $2.658 million would be transferred from the General Fund.

The impact of the premium withhold revenue reductions that would result from this bill without a corresponding appropriation would put at risk MNsure's ability to effectively execute essential business, customer service, and outreach functions. Examples of this impact include but are not limited to:

Reductions in staffing and support for the call center, significantly lengthening call wait times

Reductions in manual operations staff, delaying the processing of life events and impacting MNsure's ability to keep customer accounts and information current

Reductions in MNsure marketing, outreach, and assister support, limiting MNsure's ability to reach Minnesotans who would benefit from enrolling through the exchange

Reductions in plan management staff, limiting MNsure's ability to interface with carriers and impacting MNsure's ability to produce accurate 1095A tax forms

Reductions in eligibility and enrollment staff, impacting MNsure's ability to stay up to date in applying federal regulatory changes to MNsure operations

Reductions in MNsure legal and compliance staff, such that MNsure would be unable to provide proper oversight of eligibility determinations and enrollment and renewals processes to ensure Minnesotans receive benefits for which they are eligible and that federal standards are properly applied

Reductions in MNsure's financial and contracts staff, such that MNsure would see challenges in its ability to stay current on financial payments and billing and to execute contracts in a timely manner

Recent federal legislative changes

MNsure notes that recent changes to health care coverage and the Affordable Care Act, as included in the American Rescue Plan Act and signed into law in March 2021, are currently slated to sunset at the end of plan year 2022. The federal legislation expands federal premium tax credits for many enrollees but does not directly change the underlying rates for marketplace coverage upon which MNsure calculates premium withhold revenue. Although there is significant uncertainty stemming from the sunset of the federal changes, MNsure believes it is reasonable to continue to assume a 20% reduction to premiums caused by reinsurance, consistent with previous analysis of Minnesota's reinsurance program and as referenced earlier in this note.

Prescription drug coverage and postnatal care coverage requirements

These provisions would result in no direct fiscal impact to MNsure; however, changes in plan premiums, plan choice, or plan enrollment could have an effect on the amount of revenue MNsure generates through its premium withhold. An actuarial study would need to be conducted to determine the impact caused by the requirement that carriers offer plans with a pre-deductible, flat dollar co-pay structure on prescription drugs in Minnesota or the inclusion of postnatal coverage as described in the bill.

<u>Expenditure and/or Revenue Formula</u>

Projected revenue loss in FY2023 reflects that MNsure has already received an appropriation for the first half of FY2023 for the loss of revenue due to the reinsurance program the last time the program was extended by the Legislature in 2021.

	Member Months	Average Premium w/o Reinsurance	Withhold Percent	Withhold Revenue	Reinsurance-Adjusted Average Premium	Adjusted Withhold Revenue	Revenue Loss
EY 2022	1,302,707	$568.00	3.50%	$25,897,815.16	$483.00	$22,022,261.84	$3,875,553.33
Jan-Jun22	659,185	$568.00	3.50%	$13,104,597.80	$483.00	$11,143,522.43	$1,961,075.38
Jul-Dec22	643,522	$568.00	3.50%	$12,793,217.36	$483.00	$10,878,739.41	$1,914,477.95
EY 2023	1,302,707	$605.00	3.50%	$27,584,820.73	$514.00	$23,435,698.93	$4,149,121.80
Jan-Jun23	659,185	$605.00	3.50%	$13,958,242.38	$514.00	$11,858,738.15	$2,099,504.23
Jul-Dec23	643,522	$605.00	3.50%	$13,626,578.35	$514.00	$11,576,960.78	$2,049,617.57
EY 2024	1,302,707	$644.00	3.50%	$29,363,015.78	$ 547.00	$ 24,940,325.52	$ 4,422,690.27
Jan-Jun24	659,185	$644.00	3.50%	$14,858,029.90	$ 547.00	$ 12,620,096.83	$ 2,237,933.08
Jul-Dec24	643,522	$644.00	3.50%	$14,504,985.88	$ 547.00	$ 12,320,228.69	$ 2,184,757.19
EY 2025	1,302,707	$686.00	3.50%	$31,277,995.07	$ 583.00	$ 26,581,736.34	$ 4,696,258.74
Jan-Jun25	659,185	$686.00	3.50%	$15,827,031.85	$ 583.00	$ 13,450,669.93	$ 2,376,361.93
Jul-Dec25	643,522	$686.00	3.50%	$15,450,963.22	$ 583.00	$ 13,131,066.41	$ 2,319,896.81
EY 2026	1,302,707	$731.00	3.50%	$33,329,758.60	$ 621.00	$ 28,314,336.65	$ 5,015,421.95
Jan-Jun26	659,185	$731.00	3.50%	$16,865,248.23	$ 621.00	$ 14,327,385.98	$ 2,537,862.25
Jul-Dec26	643,522	$731.00	3.50%	$16,464,510.37	$ 621.00	$ 13,986,950.67	$ 2,477,559.70
EY 2027	1,302,707	$779.00	3.50%	$35,518,306.36	$ 661.00	$ 30,138,126.45	$ 5,380,179.91
Jan-Jun27	659,185	$779.00	3.50%	$17,972,679.03	$ 661.00	$ 15,250,244.98	$ 2,722,434.05
Jul-Dec27	643,522	$779.00	3.50%	$17,545,627.33	$ 661.00	$ 14,887,881.47	$ 2,657,745.86

FISCAL YEAR TRANSLATION	Projected Revenue Loss by Fiscal Year
FY 2023	**$2,099,504**
Jul-Dec22	$0
Jan-Jun23	$2,099,504
FY 2024	**$ 4,287,551**
Jul-Dec23	$2,049,618
Jan-Jun24	$ 2,237,933
FY 2025	**$ 4,561,119**
Jul-Dec24	$ 2,184,757
Jan-Jun25	$ 2,376,362

FY 2026	**$ 4,857,759**
Jul-Dec25	$ 2,319,897
Jan-Jun26	$ 2,537,862
FY 2027	**$ 5,199,994**
Jul-Dec26	$ 2,477,560
Jan-Jun27	$ 2,722,434
FY 2028	**$2,657,746**
Jul-Dec27	$2,657,746
Jan-Jun28	$0
TOTAL	$ 23,663,673

Long-Term Fiscal Considerations

This bill provides for a 5-year extension of the reinsurance program and therefore results in a loss of revenue for MNsure beyond the budget horizon shown in this fiscal note. As previously mentioned and reflected in the tables above, for the 2026-2027 biennium, MNsure assumes $10.058 million would be transferred from the General Fund, and for the 2028-2029 biennium, MNsure assumes $2.658 million would be transferred from the General Fund for the loss of revenue due to reinsurance program.

Local Fiscal Impact

References/Sources

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