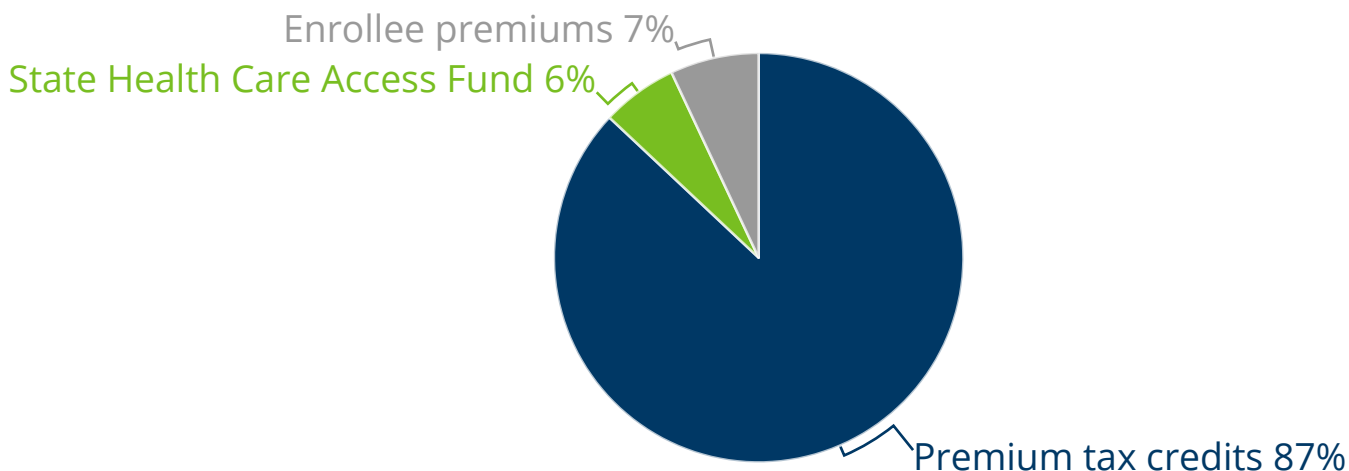


The cost of reinsurance to MinnesotaCare

MinnesotaCare, which includes Minnesota's Basic Health Program, provides health care coverage for more than 90,000 Minnesotans who earn too much to qualify for Medicaid and too little to pay for private health insurance. Individuals must earn less than \$24,980 per year (below 200 percent of the federal poverty level) to qualify for its broad coverage, which includes dental, vision and comprehensive behavioral health services.

The majority of MinnesotaCare's funding comes from federal premium tax credits. The federal government determines the dollar amount for premium tax credits based on the price of the second lowest silver premium plan sold through MNSure. In this way, the premium tax credits are pegged to the price of individual insurance premiums – when those premiums rise or fall, MinnesotaCare's funding sees a corresponding change.

MinnesotaCare program funding in FY2020



In 2017, the Minnesota Legislature took action to combat rising premiums in the state's individual insurance market that threatened to price Minnesotans out of coverage. It established the Minnesota Premium Security Plan, a state-funded reinsurance pool, to lower premiums in the individual market during plan years 2018 and 2019 and later extended to include plan years 2020 and 2021. The state wanted to ensure this investment to lower premiums would not reduce MinnesotaCare funding.

The cost of reinsurance to MinnesotaCare

Premium tax credits



Individual insurance premiums

Minnesota submitted a 1332 waiver to the Centers for Medicare and Medicaid Services (CMS) requesting to receive the same amount in premium tax credit funding it would have received without its investment in the reinsurance program. This is referred to as “pass-through funding” as it passes along and repurposes the premium tax credits that the law already provides and should replace for funding MinnesotaCare. However, CMS only allowed this pass-through funding to apply to premium tax credits for people buying a private health plan through MNsure and denied the federal funding for people getting coverage through MinnesotaCare.

This cost MinnesotaCare more than \$350 million.

Overall, MinnesotaCare experienced a \$351.1 million reduction in federal funding due to this inconsistency in how premium tax credits get treated for private vs. public health care coverage.

	CY 2018	CY 2019	CY 2020	Total 2018-2020
Federal funds provided through reinsurance	\$130,710,000	\$84,758,000	\$86,064,000	\$301,532,000
Federal funds lost from denial of 1332 waiver for Basic Health Program funding	-\$125,600,000	-\$117,100,000	-\$108,400,000	-\$351,100,000
Total change in funding	\$5,110,000	-\$32,342,000	-\$22,336,000	-\$49,568,000