

Premium Security Plan Account

2026 February Forecast

PURPOSE OF ACCOUNT – The Premium Security Plan was established in 2017 to provide reinsurance payments to health insurers that provide coverage in the individual market. These payments offset a portion of insurers’ highest-cost claims to reduce premiums and result in more affordable health insurance for all Minnesotans with individual health insurance. The Minnesota Comprehensive Health Association (MCHA), an independent nonprofit organization, administers the program, and the Department of Commerce serves as the program’s fiscal agent.

SOURCES – Revenues to the account include federal payments made possible through a State Innovation Waiver under Section 1332 of the Affordable Care Act. The waiver and conforming state law are currently in place through plan year 2027. Federal payments are determined by the U.S. Treasury Department. An initial investment of \$543 million was appropriated from the state’s general fund and health care access fund (HCAF), and \$247 million was subsequently returned to general fund through legislative action. In 2022, the legislature authorized transfers from the general fund of \$300 million and \$229 million, in fiscal years 2023 and 2025, respectively. The 2025 legislature authorized a \$145 million transfer from the HCAF during fiscal year 2026 to pay for plan year 2026 operations. The 2025 legislature also authorized a one-time assessment on all health carriers that offer individual plans to fund reinsurance payment for plan year 2027 and to ensure MNSure’s stable operations. The assessment will occur in calendar year 2028, and beginning with taxable years after December 31, 2028, health plans are eligible for a tax credit equal to the value of the assessment.

Any state funds remaining in the Premium Security Plan Account on June 30, 2029, will be returned to the health care access fund.

USES – Expenditures in this account include grants to MCHA for reinsurance payments and for the operational costs of the Minnesota Premium Security Plan. The legislature also directed the transfer of \$285 million from the account to the general fund in FY 2026. Starting in FY 2026, expenditures will also include transfers to MNSure, as required by Minnesota Statute 62E.25 subdivision 1(c), in amounts necessary to offset the impact reinsurance has on plan premiums in the individual market, which are MNSure’s main funding source.

RELATIONSHIP TO OTHER STATE OF MN PROGRAMS – Prior to calendar year 2023, the operation of the Premium Security Plan resulted in lower federal funding for the Basic Health Program (MinnesotaCare), which serves individuals between 138 and 200 percent of the federal poverty level. In December 2022, the federal government finalized a rule changing the Basic Health Program funding formula for future years. These changes attempt to hold states harmless for operating a reinsurance program by modeling Basic Health Program funding as if a state did not operate a reinsurance program.

FORECAST AND FUND BALANCE CHANGES

The projected balance in the fund at the end of the FY 2026-27 biennium is negative \$25 million, a decrease of \$3 million (13.6 percent) compared to the 2025 November Forecast. This decrease is explained by a reduction in available resources from lower forecast interest income and a slight increase in reinsurance payments due to updated enrollment data that informs assumptions around reinsurance participation.

As plan year 2027 and related expenditures will be paid through an assessment, the balance in the account by the end of FY 2028-29 biennium will not be changed by plan year 2027 operations. As related expenditures change, the assessment on health plans will either increase or decrease accordingly.

SOURCES – For FY 2026-27 available resources are expected to be \$940 million, a \$2 million (0.2 percent) decrease from the 2025 November forecast. This decrease is due to \$4 million less in interest income, which is partially offset by a \$2 million increase in federal passthrough payments.

FY 2028-29 sources are projected to be \$394 million, up \$9 million (2.5 percent) from previous estimates. The main driver of this increase is a higher projected assessment driven by increases in projected program expenditure. The assessment revenue the state receives is the amount necessary to pay for the program costs remaining after federal funds.

USES – For FY 2026-27 expenditures and transfers out are expected to be \$965 million, a \$1 million (0.2 percent) increase from prior estimates because of higher reinsurance payments due to updated enrollment data for plan year 2025 and slightly higher enrollment projections for plan year 2026. This enrollment trend continues in FY 2028-29, pushing total expenditure to \$394 million, up \$9 million (2.5 percent) from previous estimates.

PREMIUM SECURITY PLAN ACCOUNT STATEMENT

2026 February Forecast

in thousands

<u>Sources</u>	<u>Actuals</u> <u>FY 2025</u>	<u>Projected</u> <u>FY 2026</u>	<u>Projected</u> <u>FY 2027</u>	<u>Projected</u> <u>FY 2028</u>	<u>Projected</u> <u>FY 2029</u>
Balance Forward From Prior Year	355,662	470,152	193,370	(25,066)	(24,819)
Prior Year Adjustments					
<i>Adjusted Balance Forward</i>	<i>355,662</i>	<i>470,152</i>	<i>193,370</i>	<i>(25,066)</i>	<i>(24,819)</i>
Federal Pass-Through	129,884	179,339	121,177	121,177	-
Interest Income	17,379	17,817	6,372	-	-
Health Carrier Assessments	-	-	-	272,256	-
Total Revenues	147,263	197,156	127,549	393,433	-
22, CH 44 - Transfers from the General Fund	229,465	-	-	-	-
25, CH 4 - Transfer from the Health Care Access Fund	-	145,000	-	-	-
Total Transfers	229,465	145,000	-	-	-
Total Sources	732,390	812,307	320,919	368,367	(24,819)
<u>Uses</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
MCHA Expenditures	621	751	670	390	247
Reinsurance Payments	261,617	330,118	342,072	386,541	-
Total Expenditures	262,238	330,869	342,742	386,931	247
23, CH 57 - Transfer to the General Fund	-	275,775	-	-	-
24, CH 127 - Transfer to the General Fund	-	8,830	-	-	-
25, CH 4 - Transfer to the MNsure Account	-	3,463	3,243	6,255	-
Total Transfers	-	288,068	3,243	6,255	-
Total Uses	262,238	618,937	345,985	393,186	247
Structural Balance	114,490	(276,781)	(218,437)	247	(247)
Balance	470,152	193,370	(25,066)	(24,819)	(25,066)