

Health Care Access Fund

February 2015 Forecast Update

PURPOSE OF FUND - The health care access fund (HCAF) was created to increase access to health care, contain health care costs, and improve the quality of health care services.

PRIMARY REVENUE SOURCES - Revenues to the fund come from a two percent tax on providers; a one percent gross premium tax; MinnesotaCare enrollee premiums; investment income earned on the balance of the fund; and federal match on administrative costs. In the current biennium, the fund is supported by Medicaid and Children's Health Insurance Program funds and federal Basic Health Program (BHP) funding. By fiscal year 2017, BHP funding will be the only federal revenue in the fund.

PRIMARY EXPENDITURES AND USES – The provision of subsidized health care through MinnesotaCare represents the largest expenditure in the HCAF. Other expenditures in the fund support medical assistance, health care access, quality improvement initiatives, and administration.

FORECAST AND FUND BALANCE CHANGES – The HCAF is projected to have a balance of \$199 million in FY 2015, \$13 million in FY 2017, and \$0 in 2019. The balance of the fund has improved in each biennium compared to the November forecast due to greater revenues and lower expenditures.

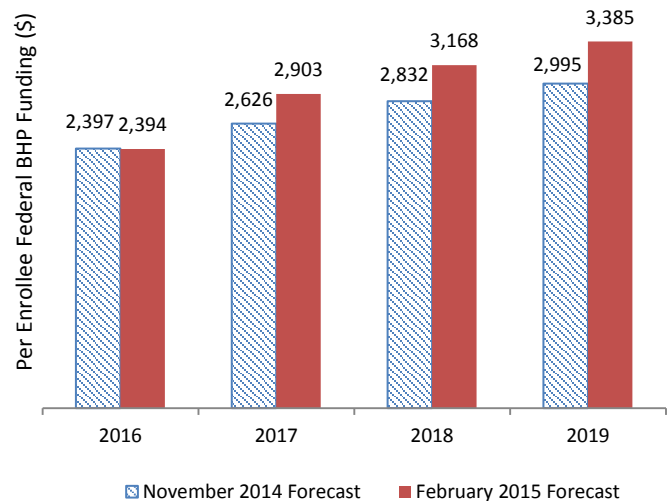
Relative to November estimates, net tax revenues increased by \$13 million (1.0 percent) in FY 2014-15, \$35 million (2.6 percent) in FY 2016-2017, and \$45 million (3.0 percent) in FY 2018-19. The greater collections are driven by faster growth of health care spending in future years.

The net state cost of MinnesotaCare fell by \$16 million (3.0 percent) for FY 2014-15, \$111 million (11.9 percent) for FY 2016-17, and \$175 million (16.0 percent) for FY 2018-19 compared to November estimates.

The growth in revenue and decline in expenditures cause sources to exceed uses, triggering a statutory transfer to the general fund (M.S. 16A.724). This forecast projects an additional \$96 million in FY 2016-17 and \$72 million in FY 2018-19 in transfers to the general fund relative to the November forecast.

MinnesotaCare –MinnesotaCare provides health coverage to adults in households with income between 138 and 200 percent of the federal poverty guidelines. This forecast estimates that MinnesotaCare will have approximately 10,000 fewer enrollees than projected in November. Lower MinnesotaCare enrollment reduces spending by \$17 million (3.2 percent) in 2014-15, \$78 million (8.3 percent) in 2016-17, and \$84 million (7.6 percent) in 2018-19.

Figure 1. Change in Basic Health Plan Funding



This forecast reflects the December 2014 approval of a methodology to reflect differences in population health in federal BHP payments. As shown in Figure 1 above, per person payments are expected to be more than 10 percent higher than November estimates beginning in 2017. These anticipated federal funds lower projected state expenditures for MinnesotaCare. This results in \$33 million (3.5 percent) lower spending in FY 16-17 and \$89 million (8.1 percent) lower spending in FY 18-19.

Health Care Access Fund

Figures in \$ Thousands

Sources	Closing FY 14	Projected FY 15	Projected FY 16	Projected FY 17	Projected FY 18	Projected FY 19
Balance Forward from Prior Year	49,862	51,448	198,661	124,870	12,605	0
Prior Year Adjustments	1,908	-	-	-	-	-
Adjusted balance forward	51,770	51,448	198,661	124,870	12,605	0
Revenues:						
2% Provider Tax	538,669	574,322	611,022	646,946	683,051	717,845
1% Gross Premium Tax	73,934	82,185	84,894	89,127	92,820	96,252
Provider and Premium Tax Refunds	(13,427)	(13,215)	(13,693)	(14,491)	(15,229)	(16,010)
State Share of MnCare Enrollee Premiums	15,566	18,150	30,049	34,068	34,847	35,168
Investment Income	762	590	780	340	40	-
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[110,220]	[256,252]	[351,692]	[392,604]	[423,417]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[257,429]	[150,298]	[15,812]	-	-	-
MinnesotaCare: State Share of Other Dedicated Revenues	111	-	-	-	-	-
Federal Match on Administrative Costs	14,874	7,500	-	-	-	-
DSH Claim for Legal Non-Citizens in MinnesotaCare	-	2,200	-	-	-	-
Other	1	-	-	-	-	-
Total Revenues	630,492	671,731	713,052	755,990	795,529	833,255
Transfers In:						
General Fund: Laws of MN 2008, Ch 363, Art 17, Sec 1	-	50,000	-	-	-	-
Total Sources	682,262	773,179	911,713	880,859	808,134	833,255
Uses						
Expenditures:						
MinnesotaCare: Direct Appropriation	246,899	267,949	384,689	438,529	452,961	467,885
MinnesotaCare: Federal Basic Health Program ¹ [Non-Add]	-	[110,220]	[256,252]	[351,692]	[392,604]	[423,417]
MinnesotaCare: Federal Medicaid Waiver ² [Non-Add]	[257,429]	[150,298]	[15,812]	-	-	-
MinnesotaCare: State Share of Enrollee Premiums	15,566	18,150	30,049	34,068	34,847	35,168
MinnesotaCare: State Share of Other Dedicated Revenues	111	-	-	-	-	-
Medical Assistance: Laws of MN 2013 Ch 108, Art 14, Sec 2	175,744	175,708	195,139	205,530	205,530	205,530
Healthy Minnesota Contribution Program	6,949	-	-	-	-	-
Department of Human Services ³	28,030	36,558	42,383	40,781	42,521	40,781
Department of Health ³	25,866	35,561	28,743	28,143	28,743	28,143
University of Minnesota: MN Laws 1sp 2011 Ch 5, Sec 5	2,157	2,157	2,157	2,157	2,157	2,157
Legislature ³	1	255	128	128	128	128
Department of Revenue ³	1,569	1,929	1,749	1,749	1,749	1,749
Interest on Tax Refunds	353	371	364	385	405	425
Legislative Auditor: MN Laws 2011 Ch 247, Art 6, Sec 2 ³	33	132	-	-	-	-
Total Expenditures	503,277	538,770	685,401	751,471	769,041	781,966
Transfers Out:						
To General Fund						
Medical Assistance: M.S. 16A.724 Subd 2(a)	96,000	-	48,000	48,000	29,855	42,051
2013 MA Expansion: Laws of MN 2013 Ch 1	20,550	25,332	43,341	58,545	-	-
Total General Fund Transfers	116,550	25,332	91,341	106,545	29,855	42,051
Special Revenue Fund: MAXIS/MMIS and Other	9,987	9,416	9,101	9,238	9,238	9,238
Medical Education & Research Costs (MERC) Fund, M.S. 16A.724 Subd 2(c)	1,000	1,000	1,000	1,000	-	-
Total Transfers Out	127,537	35,748	101,442	116,783	39,093	51,289
Total Uses	630,814	574,518	786,843	868,254	808,134	833,255
Balance	51,448	198,661	124,870	12,605	0	0

¹ For services beginning January 1, 2015, federal funding for MinnesotaCare is received through the Basic Health Program and is deposited in a Trust Fund within the state's Federal Fund for use for eligible expenditures.

² Amounts represent federal match on MinnesotaCare expenditures, which is accounted for in the state's Federal Fund.

³ FY 2015 figure includes funding carried forward from previous years.