Consolidated Fiscal Note **2023-2024 Legislative Session**

HF96 - 0 - Modifications to Public Health Care Options

Chief Author: **Jamie Long**
Commitee: **Health Finance And Policy**
Date Completed:
Lead Agency: Human Services Dept
Other Agencies:
Commerce Dept
Revenue Dept
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	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
Commerce Dept					
General Fund	-	355	236	236	236
Human Services Dept					
General Fund	-	12,792	9,596	9,499	8,958
Health Care Access	-	-	4,528	41,866	57,273
MNsure					
General Fund	1,000	10,348	24,084	13,602	6,559
Revenue Dept					
General Fund	-	355	266	200	91
State Total					
General Fund	1,000	23,850	34,182	23,537	15,844
Health Care Access	-	-	4,528	41,866	57,273
Total	**1,000**	**23,850**	**38,710**	**65,403**	**73,117**
Biennial Total			**62,560**		**138,520**

Full Time Equivalent Positions (FTE)		**Biennium**		**Biennium**	
	FY2023	**FY2024**	**FY2025**	**FY2026**	**FY2027**
Commerce Dept					
General Fund	-	1.5	1	1	1
Human Services Dept					
General Fund	-	1	11	40.5	40.5
Health Care Access	-	-	-	-	-
MNsure					
General Fund	-	1.4	2.8	1.4	-
Revenue Dept					
General Fund	-	1.79	1.76	1.29	.56

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	5.69	16.56	44.19	42.06

Lead LBO Analyst's Comment

LBO Signature: **Date:**
Phone: **Email:**

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	FY2023	FY2024	FY2025	FY2026	FY2027
Commerce Dept					
General Fund	-	355	236	236	236
Human Services Dept					
General Fund	-	12,792	9,596	9,499	8,958
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General Fund	1,000	10,348	24,084	13,602	6,559
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Total	**1,000**	**23,850**	**38,710**	**65,403**	**73,117**
Biennial Total			**62,560**		**138,520**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Commerce Dept					
General Fund	-	355	236	236	236
Human Services Dept					
General Fund	-	12,792	9,596	9,499	8,958
Health Care Access	-	-	4,528	41,866	57,273
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General Fund	1,000	10,348	24,084	13,602	6,559
Revenue Dept					
General Fund	-	355	266	200	91
Total	**1,000**	**23,850**	**38,710**	**65,403**	**73,117**
Biennial Total			**62,560**		**138,520**
2 - Revenues, Transfers In*					
Commerce Dept					
General Fund	-	-	-	-	-
Human Services Dept					
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
MNsure					
General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Fiscal Note **2023-2024 Legislative Session**

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Chief Author: **Jamie Long**
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Date Completed:
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	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	-	12,792	9,596	9,499	8,958
Health Care Access	-	-	4,528	41,866	57,273
Total	**-**	**12,792**	**14,124**	**51,365**	**66,231**
Biennial Total			**26,916**		**117,596**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2023	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	-	1	11	40.5	40.5
Health Care Access	-	-	-	-	-
Total	**-**	**1**	**11**	**40.5**	**40.5**

LBO Analyst's Comment

LBO Signature: **Date:**
Phone: **Email:**

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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	12,792	9,596	9,499	8,958
Health Care Access		-	-	4,528	41,866	57,273
	Total	**-**	**12,792**	**14,124**	**51,365**	**66,231**
	Biennial Total			**26,916**		**117,596**
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		-	12,792	9,596	9,499	8,958
Health Care Access		-	-	4,528	41,866	57,273
	Total	**-**	**12,792**	**14,124**	**51,365**	**66,231**
	Biennial Total			**26,916**		**117,596**
2 - Revenues, Transfers In*						
General Fund		-	-	-	-	-
Health Care Access		-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**
	Biennial Total			**-**		**-**

Bill Description

Section 2 changes MinnesotaCare eligibility to clarify that only enrollees with incomes at or under 200% of the federal poverty guidelines (FPG) would be ineligible to enroll in a Qualified Health Plan (QHP) through MNsure with access to Advance Premium Tax Credits (APTCs) effective January 1, 2026.

Section 3 would make conforming statutory changes to allow adults with incomes over 200% FPG to buy into the MinnesotaCare program effective January 1, 2026.

Section 4 would provide MinnesotaCare coverage to undocumented noncitizens effective January 1, 2025.

Section 5 would establish a public option through which families and individuals with income over 200% FPG would be able to buy into the MinnesotaCare program effective January 1, 2026.

Section 6 would create an exception to income requirements for individuals who enroll through the MinnesotaCare public option effective January 1, 2026.

Section 7 would require the state to continue lower premiums established by the American Rescue Plan Act (ARPA) of 2021 and continued by the Inflation Reduction Act (IRA) of 2022 through Calendar Year 2025, and would direct the Commissioner of the Department of Human Services (DHS) to establish a sliding scale premiums for people who are over the age of 20 and enrolled in the public option effective January 1, 2024 and January 1, 2026, respectively.

Section 9 would direct the Commissioner of DHS to develop a small employer public option in consultation with stakeholders as specified, and would require a report to the legislature by December 15, 2024.

Section 10 would require the Commissioner of DHS to continue to administer MinnesotaCare as a basic health program (BHP), to submit a report to the legislature with an implementation plan for the public option by December 15, 2024 as specified, and submit a service delivery and payment system model report to the legislature by January 15, 2025.

Section 11 would require the Commissioner of DHS to seek federal waivers, approvals, and law changes to comply with previous sections and to maximize federal funding as specified.

Section 12 would make all effective dates relevant to the public option effective on January 1, 2026, or upon federal approval, whichever is later, with the additional requirement that compliance with the preceding language not jeopardize federal funding for the current BHP.

Assumptions

This estimate is broken into four individual subparts: 1) extending MinnesotaCare coverage to individuals who are undocumented noncitizens; 2) establishing a public option as part of the MinnesotaCare program; 3) extending the MinnesotaCare premium scale established by the American Rescue Plan Act (ARPA) of 2021, and; 4) reports.

Expanding coverage for undocumented noncitizen individuals in MinnesotaCare:

Section 4 of this proposal would extend MinnesotaCare eligibility to people who meet all other current eligibility factors, but who do not have a lawfully present immigration status effective January 1, 2025. Applicants would apply through the MNsure website, and be determined eligible for MinnesotaCare, then be enrolled with monthly premiums in accordance with current eligibility and enrollment policies and processes.

All regular MinnesotaCare premium rules apply. Newly eligible enrollees would pay the same premiums as currently eligible enrollees, with coverage contingent upon a monthly premium for those to whom the premium would apply. With the interactive effects with the premium changes in Section 7 of the bill, premiums would apply to adults aged 21 years or older with an income of 160% FPG or higher. It is assumed that the average per member per month cost would be the same as the current MinnesotaCare managed care enrollees, and that coverage for individuals who are undocumented would be paid for with state-only Health Care Access Fund (HCAF) funding.

Based on 2019 data from the Migration Policy Institute (MPI), there are approximately 81,000 undocumented individuals in Minnesota. Of these, about 50% have income below 200% FPL, which would make them income eligible for MinnesotaCare. Based on MPI data, DHS estimates that the uninsurance rate of this population is about 67%.

Uptake is estimated based on enrollment in Emergency Medical Assistance (EMA), as this is a government program accessed by individuals who are undocumented; MinnesotaCare uptake is estimated at twice the EMA uptake level, as the insurance would be more comprehensive than in EMA, and is estimated at 28%.

Premium revenue is estimated based on the current MinnesotaCare premium schedule and the income distribution of people who are undocumented in Minnesota in the MPI data because of noted interactive impacts of Section 7 of the bill.

The effective date is assumed to be for service dates on or after January 1, 2025 and that it will take one year for enrollment to fully phase in.

This section would require 10 FTEs upon full implementation. FTEs are assumed to begin on July 1, 2024 for an effective service date of January 1, 2025. FTEs are assumed to draw down 32% Federal Financial Participation (FFP). All positions are assumed to have $17,744, and ongoing monthly administrative costs of $2,228. Fringe benefits are estimated using the most recent union contracts. Duties of the FTEs are as follows:

-8 FTEs (AFCSME 65M) to process applications, change in circumstance requests, renewal applications, and to handle phone calls and other customer inquiries;

-1 FTE (MMA 18K) to provide supervision of the MN Health Insurance Program Representatives, and to handle escalated consumer issues;

-0.5 FTE (MAPE 11) to assist with complex Minnesota Health Care Program (MHCP) system issues;

-0.25 FTE (MAPE 11) to respond on behalf of DHS to health care eligibility appeals initiated by a customer, review case actions taken, and work with the appellant to resolve the issue, and to submit formal written responses in support of agency actions when necessary for appeal hearings;

-0.25 FTE (MAPE 17) to provide data analytics for this new program related to requests from the federal government or

other stakeholders.

Augmentations to current Child and Teen Check-Up, vaccine outreach, and prior authorization contracts to recognized increased enrollment are expected to cost $130,000 in total dollars per year and to draw down FFP at 32%.

Systems changes are estimated to require 9 months to complete and a total cost of $2,838,419 for initial development. No federal match is reflected for this work as it is assumed that it would not be eligible for enhanced federal systems funding.

This IT estimate includes the following assumptions:

-The estimated duration and earliest completion date of the proposed project(s) assumes the work is prioritized relative to other legislative and ongoing IT work. If enacted, the completion date of the proposed project(s) will be dependent on the totality of enacted legislative IT work and ongoing IT work.

-The total hours assumed in this fiscal note include the projected time required to complete systems work and a 20% contingency assumption to account for unforeseen business requirements in the development and implementation process.

-In addition to the initial development costs cited above, the systems changes required in this bill will result in increased ongoing maintenance and operations costs, estimated annually at 20% of the total initial development cost

Establishing a public option program in MinnesotaCare:

Sections 2, 3, 5, 6, and 7 establish a public option program within MinnesotaCare. The public option would allow individuals with incomes above 200% FPG to enroll in MinnesotaCare effective January 1, 2026, or upon federal approval.

Because of interactive effects with Section 4 of the bill, undocumented individuals with incomes above 200% would also be able to buy into MinnesotaCare.

This estimate assumes that individuals will enroll in the public option on MNsure, where they will be able to choose coverage through qualified health plans (QHP) or the public option. Selection of the public option is limited to the annual enrollment period or special enrollment periods declared in compliance with federal law.

There is limited data to inform an estimate of how many individuals will choose to enroll in the public option at this time, and what proportion of newly covered individuals were previously uninsured or enrolled in coverage through the individual market. Based on preliminary analysis from MNsure, this estimate assumes that 18.6% of the individual market will select the public option for coverage, or approximately 21,600 individuals annually. The actuarial analysis authorized in Section 10 would further inform such an estimate.

This bill would direct the commissioner of human services to develop a sliding scale premium for individuals who would enroll in the MinnesotaCare public option. Actuarial analysis authorized in Section 10 would inform the establishment of that premium scale; at this time, the department is unable to estimate premium levels.

The bill does not make changes to current MinnesotaCare statute in 256L outside of modifying eligibility provisions to permit individuals with incomes above 200% FPG, extending the ARPA premium scale in MinnesotaCare, and establishing a sliding scale premium for those who enroll in the public option. This estimate assumes that the current MinnesotaCare benefit and cost sharing requirements defined in 256L.03 would be applied to individuals who enroll via the public option, which implies that this coverage would have a 94% actuarial value, equivalent to a platinum QHP product.

This analysis also assumes that provider reimbursements under the public option would remain the same as under current MinnesotaCare, as the language in this bill does not directly address such reimbursements.

It is assumed that Navigators and brokers would be available to assist individuals with enrollment in the public option as currently occurs today. It is assumed that Navigators and brokers without a conflict of interest would be compensated through the current Navigator Grant Fund, which compensates Navigators for $70 for each successful enrollment in MinnesotaCare within the available appropriation.

Section 11 would direct DHS to seek federal waivers and approvals to maximize federal financial participation for coverage in the public option and for individuals who are undocumented. 1332 State Innovation waivers allow states to request that the federal government permit that APTCs be repurposed for coverage through venues beyond QHPs. 1332 waiver requests are subject to approval by the Centers for Medicare and Medicaid Services (CMS) and the Treasury Department. In a waiver request, a state must provide a detailed actuarial and economic analysis regarding the effect of the waiver on health insurance in the state. The analysis must demonstrate the following:

1) That the waiver would not add to the federal deficit;
2) That coverage under the waiver would be at least as affordable and comprehensive as coverage prior to the waiver for all residents, and;
3) That the proposal would not reduce the state's rate of health insurance coverage overall.

In addition, the state must submit a 10-year budget and an implementation plan complete with timelines. To date, three states (Colorado, Washington, and Nevada) have submitted a 1332 waiver request for a public option. Colorado's waiver application was approved on June 22, 2022; Colorado and Washington both received approval for their waiver applications in 2022. None of the three states who have completed 1332 waiver applications operate a Basic Health Program (BHP).

Approval of a 1332 waiver in Minnesota would permit the federal government to pass along 95% of the value of APTCs that would otherwise have been received by the enrollee through QHP enrollment in the form of reduced premiums to be redirected to offset costs of the alternative coverage mechanism. DHS has not been directed or appropriated funding to complete an actuarial study to determine if the public option under this bill would meet the "guardrails" required (outlined in the list above) for a 1332 waiver approval. Without clear reason to believe that the 1332 waiver would not be approved, this estimate assumes that CMS and the Treasury Department would approve this request.

However, it is important to note that there may be an impact on BHP funding currently received by the state from the federal government due to the creation of the public option. Currently, MinnesotaCare (Minnesota's BHP) is funded by collecting 95% of the value of APTCs that would otherwise have been received by the enrollee through QHP enrollment in the form of reduced premiums. If individual market premiums are affected by the creation of the public option, BHP funding would also be impacted.

Any impact on current MinnesotaCare funding is highly speculative because of the unknown impact of introducing a public option on individual market premiums. For this reason, this estimate assumes that any impact to current BHP funding related to the public option is indeterminable and therefore not factored into this fiscal analysis.

As written, this bill does not specify a funding source for instances where premiums and/or federal funding are less than the actual cost of providing coverage through the public option. This estimate assumes that the intent of this bill is that the state's Health Care Access Fund (HCAF) is required to make up any difference in these costs, effectively making the public option a forecasted program. Because of the various unknown impacts described above, this estimate assumes that any potential HCAF impact specifically attributable to this new population is currently indeterminable.

Public option coverage would be effective January 1, 2026, or upon federal approval, and would require 30.5 FTEs upon full implementation; no Federal Financial Participation (FFP) is estimated for these FTEs. FTEs are assumed to begin on July 1, 2025 for an effective service date of January 1, 2026. All positions are assumed to have $17,744, and ongoing monthly administrative costs of $2,228. Fringe benefits are estimated using the most recent union contracts. Duties are as outlined below:

-20 FTEs (AFSCME 65M) to process applications, change in circumstance requests, renewal applications, handle phone calls, and other customer inquiries;

-3 FTEs (MAPE 11) to provide MN Health Care Programs (MHCP) eligibility policy and systems training to state and county staff, and assist with complex MHCP system issues;

-1 FTE (MAPE 14) to provide business requirements and systems testing and provide defect resolution for MHCP systems;

-2 FTEs (MMA 18) to provide supervision of the MN Health Insurance Program Representatives, and handle escalated consumer issues;

-1 FTE (MAPE 11) to respond on behalf of DHS for health care eligibility appeals initiated by a consumer, including reviewing case actions taken, working with appellant to resolve issues when possible, and submitting formal written responses in support of agency actions when necessary for appeal hearings;

-1 FTE (MAPE 17) to provide eligibility policy support, including eligibility policy notifications, communications, and addressing technical questions pertaining to eligibility issues;

-1 FTE (MAPE 17) to assist in communications and requests to the federal government, including preparing and monitoring the 1332 waiver;

-1 FTE (MAPE 17) to provide data analytics related to requests from the federal government and other stakeholders, and;

-0.5 FTE (MAPE 17) to provide policy expertise for benefits, managed care contracting, and other purchasing and service delivery issues.

This provision would also require $400,000 in contract costs in FY24 and $100,000 in contract costs in FY25 to complete analysis related to a 1332 state innovation waiver, analysis related to tax implications and increasing provider enrollment in MinnesotaCare, and designing an alternative delivery system.

Systems changes would be needed to operationalize the public option in DHS payment and eligibility systems. The total up-front cost of these changes would total $9,254,326 for initial development and require 24 months to complete. Because there are significant unknowns in the implementation of these changes, which would be addressed during the development of the implementation plan in Section 10 of the bill, this is assumed to be a high-level estimate. If passed, additional business requirements would be developed and other costs that may be necessary to implement this change would be implemented in the implementation report in Section 10. No federal match is reflected for this work, as it is assumed that it would not be eligible for enhanced federal systems funding.

This IT estimate includes the following assumptions:

-The estimated duration and earliest completion date of the proposed project(s) assumes the work is prioritized relative to other legislative and ongoing IT work. If enacted, the completion date of the proposed project(s) will be dependent on the totality of enacted legislative IT work and ongoing IT work.

-The total hours assumed in this fiscal note include the projected time required to complete systems work and a 20% contingency assumption to account for unforeseen business requirements in the development and implementation process.

-In addition to the initial development costs cited above, the systems changes required in this bill will result in increased ongoing maintenance and operations costs, estimated annually at 20% of the total initial development cost. This cost would begin in FY25, after initial development was completed in the first 24 months after the bill was passed.

Extending lower MinnesotaCare premiums:

Section 7 would lower MinnesotaCare premiums established by the American Rescue Plan Act (ARPA) of 2021 through the end of calendar year 2025, and establish a sliding scale premium for enrollees in the public option who are over the age of 20.

The DHS February 2023 Forecast assumes that ARPA premiums are in effect through the end of calendar year 2025 in compliance with the Inflation Reduction Act (IRA) of 2022, so the department assumes no cost for this provision.

As noted above, DHS is unable to estimate premium levels; the impact to the state forecast for this provision is indeterminable at this time.

Reports

Section 9 would direct the Commissioner of DHS to report recommendations about the establishment of a small employer

public option to the legislature by December 15, 2024.

Section 10 would require the Commissioner of DHS to continue to administer MinnesotaCare as a basic health program (BHP), to submit a report to the legislature with an implementation plan for the public option by December 15, 2024 as specified, and submit a service delivery and payment system model report to the legislature by January 15, 2025.

Section 11 would require the commissioner of Human Services to seek necessary federal approval to continue to receive BHP Funding, to receive additional funding equal to APTCs for individuals otherwise eligible for those credits, to seek continuity of Emergency Medical Assistance (EMA) federal funding for enrollees who are undocumented, and to seek input from the commissioner of commerce, the board of directors of MNsure, and to contract for actuarial and technical assistance. This report is assumed to be due to the legislature during the 2025 legislative session.

These sections would require 1 FTE (MAPE 17L). This position would manage a contract with an external vendor. Federal Financial Participation (FFP) for this position is assumed at 32%. This FTE is assumed to begin in October of 2023 and end work by June 30, 2025. This position is assumed to have $17,744, and ongoing monthly administrative costs of $2,228. Fringe benefits are estimated using the most recent union contracts.

Contract costs are estimated at $300,000 in total dollars to assist with the gathering and data analysis required for the above reports; no FFP is assumed for this contract. Contract costs are assumed to be incurred in FY2024. Actuarial contract costs are accounted for in the “Establishing a public option program in MinnesotaCare” section above.

Expenditure and/or Revenue Formula

	FY 2024	FY 2025	FY 2026	FY 2027
Cost of Coverage				
Undocumented under 200% FPL	41,500	41,500	41,500	41,500
Percent uninsured	67%	67%	67%	67%
Uninsured undocumented <200% FPL	27,600	27,600	27,600	27,600
Percent take-up	28%	28%	28%	28%
Uninsured undocumented				
<200% FPL who are enrolled	7,711	7,711	7,711	7,711
Average monthly cost	$568.23	$590.96	$614.60	$639.18
Enrollment phase-in	0.00%	25.00%	75.00%	100.00%
Billing lag	0.00%	33.33%	100.00%	100.00%
Annual cost of undocumented coverage	$0	$4,557,141	$42,654,843	$59,148,048
Premium Revenue				
Uninsured undocumented				
<200% FPL who are enrolled	7,711	7,711	7,711	7,711
Average monthly premium	$2.48	$2.48	$11.37	$20.27
Enrollment phase-in	0.00%	25.00%	75.00%	100.00%
Months of premium collection	0	6	12	12
Annual premium revenue (state savings)	$0	$28,681	$789,270	$1,875,272

		FY 2024	FY 2025	FY 2026	FY 2027
Net HCAF Cost		**$0**	**$4,528,460**	**$41,865,573**	**$57,272,777**

Fiscal Tracking Summary ($000's)						
Fund	**BACT**	**Description**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
HCAF	31	MinnesotaCare Grants	0	4,528	41,866	57,273
GF	13	HCA Admin - FTEs (1,11,40.5,40.5)	141	1,642	5,943	5,402
GF	13	HCA Admin - Contract	700	165	130	130
GF	REV1	FFP@32%	(141)	(546)	(458)	(458)
GF	11	State Share of Systems Costs	12,092	8,335	3,884	3,884
		Total Net Fiscal Impact	**12,792**	**14,124**	**51,365**	**66,231**
		Full Time Equivalents	1	11	40.5	40.5

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chris Zempel **Date:** 3/15/2023 5:20:54 PM

Phone: 651-247-3698 **Email:** christopher.zempel@state.mn.us

Fiscal Note **2023-2024 Legislative Session**

HF96 - 0 - Modifications to Public Health Care Options

Chief Author: **Jamie Long**
Commitee: **Health Finance And Policy**
Date Completed:
Agency: Commerce 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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State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	-	355	236	236	236
Total	**-**	**355**	**236**	**236**	**236**
Biennial Total			**591**		**472**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2023	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	-	1.5	1	1	1
Total	**-**	**1.5**	**1**	**1**	**1**

LBO Analyst's Comment

LBO Signature: **Date:**
Phone: **Email:**

State Cost (Savings) Calculation Details
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Biennial Total			**591**		**472**
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General Fund	-	355	236	236	236
Total	**-**	**355**	**236**	**236**	**236**
Biennial Total			**591**		**472**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Bill Description

House File 96 requires the MNsure board to implement a monthly transitional cost-sharing reduction subsidy of $75 for eligible individuals for plan years 2024 and 2025 only. The bill defines an eligible individual to be 1) a resident of Minnesota and 2) enrolled in a gold level health plan offered in the enrollee's county of residence.

Section 4 amends the eligibilty requirements for MinnesotaCare to include undocumented persons effective January 1, 2025.

Sections 5 and 6 establish a public option that opens MinnesotaCare eligibility to families and individuals with income over 200% of the federal poverty guidelines effective January 1, 2026 or upon federal approval, whichever is later.

Section 7 continues the simplified premium scale established to comply with the American Rescue Plan Act of 2021, in effect from January 1, 2021, through December 31, 2025, for those eligible for MinnesotaCare and have family income of less than or equal to 200 percent of the federal poverty guidelines. The bill further specifies that those eligible through the public option who are 20 years of age or younger are exempt from paying premiums.

Section 8 establishes a small employer transitional health care credit, effective for taxable years beginning after December 31, 2022, and before January 1, 2026. The bill specifies that qualified employers may claim a tax credit equal to 50 percent of the employer's qualified employee health care expenses. The bill further specifies the credit is limited to the tax liability for the taxable year and any excess is a carryover to each of the five succeeding taxable years.

Section 9 requires the commissioner of human services, in consultation with representatives of small employers, to develop a small employer public option that allows employees to receive employer contributions toward MinnesotaCare.

Section 10 requires the commissioner of human services to present an implementation plan for the MinnesotaCare public option by December 15, 2024 and a report comparing the current service delivery and payment system model for MinnesotaCare enrollees with at least two alternative models by January 15, 2025 to the legislative committees with jurisdiction over health care policy and finance.

The bill specifies that the implementation plan must provide for: 1) continuation of the federal basic health program funding or receipt of other federal funding, 2) a small employer option that results in employer contributions that are tax deductible to the employer and no taxable income to the employee, 3) sufficient provider participation, and 4) a premium scale that ensures affordable premiums across all income levels and avoids premium cliffs. The plan must also include estimates of state costs related to and any draft legislation needed to implement the public option.

The bill specifies that the comparison report includes the projected cost and an implementation timeline for each model and requires that one of the alternatives is a model where the state holds the plan risk as the insurer though may contract

with a third-party administrator for claims processing and plan administration.

Section 11 specifies that the commissioner of human services shall seek any necessary federal waivers, approvals, and law changes and, in doing so, shall consult with the commissioner of commerce and the MNsure board and may contract for technical and actuarial assistance.

Section 12 establishes that the effective dates of certain bill sections and portion of sections pertaining to the public option are contingent upon the commissioner of human services certifying that implementation will not result in loss of federal basic health program funding.

Assumptions

Commerce assumes that HF 96 will have a fiscal impact on the department in FY24 (full year) and FY25 (1/2 year) related to the development and submission of an amendment to the state's 1332 innovation waiver.

1332 waivers are granted for five years; Minnesota's 1332 waiver, which supports the operations of the Minnesota Premium Security Plan was renewed in 2022. While that renewal process was straightforward because it simply continued the operations of the state's reinsurance program, Commerce assumes that submitting an amendment to the existing waiver to implement the provisions of HF 96 will be like submitting a de novo waiver. Commerce assumes this based on the complexity of the subject matter and that no prior 1332 waiver application has previously covered this proposal.

As required under the Affordable Care Act, Commerce assumes the state will be required to submit a 10-year operational and cost projection as part of the 1332 waiver amendment process required by the Federal Government. This includes an actuarial and economic analysis. This assumption aligns with the department's assumptions in its fiscal note on HF5-3E in 2017.

Commerce assumes it will consult with DHS and its vendor on the work to prepare a waiver amendment application will include, among other things, development of an alternative method for calculating federal advanced premium tax credits (APTC) for purposes of subsidizing eligible enrollees as well as for determining federal pass-through funds associated with the existing waiver for Minnesota's Premium Security Plan.

Commerce assumes ongoing staff costs to the department to maintain the alternative APTC calculation as well as provide regular actuarial and programmatic updates to CMS staff that are required as a condition of receiving the waiver. Updates include holding an annual public meeting, providing quarterly and annual reports on progress of the waiver to federal regulators as well as answering ad hoc questions from federal regulators. This assumption is based on Commerce's experience administering the state's existing 1332 waiver.

Commerce also assumes that there will be additional staff coordination needed between the Department of Human Services to develop and maintain the individual and small group public options.

Initial (FY24 full year): .75 FTE State Health Actuary and .75 FTE SPA Coordinator

Ongoing: .5 FTE State Health Actuary and .5 FTE SPA Coordinator

Expenditure and/or Revenue Formula

Initial (FY24 full year): .75 FTE State Health Actuary and .75 FTE SPA Coordinator

Ongoing: .5 FTE State Health Actuary and .5 FTE SPA Coordinator

			FY24	FY25	FY26	FY27
Salary			225,160	150,107	150,107	150,107
Fringe			67,548	45,032	45,032	45,032
Other Personnel Related Costs			62,033	41,355	41,355	41,355

			354,741	236,494	236,494	236,494

Long-Term Fiscal Considerations

Commerce assumes that there will be some costs associated with renewing the waiver every five years. These costs will largely consist of hiring actuarial support to update any necessary actuarial analysis and submitting a new waiver package. Assumptions on these costs will need to be coordinated with DHS as the current bill language is silent on which agency will be responsible for waiver renewals.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper **Date:** 3/15/2023 4:38:33 PM

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

Fiscal Note **2023-2024 Legislative Session**

HF96 - 0 - Modifications to Public Health Care Options

Chief Author: **Jamie Long**
Commitee: **Health Finance And Policy**
Date Completed:
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	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	1,000	10,348	24,084	13,602	6,559
Total	**1,000**	**10,348**	**24,084**	**13,602**	**6,559**
Biennial Total			**34,432**		**20,161**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2023	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	-	1.4	2.8	1.4	-
Total	**-**	**1.4**	**2.8**	**1.4**	**-**

LBO Analyst's Comment

LBO Signature: **Date:**
Phone: **Email:**

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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		1,000	10,348	24,084	13,602	6,559
	Total	**1,000**	**10,348**	**24,084**	**13,602**	**6,559**
	Biennial Total			**34,432**		**20,161**
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		1,000	10,348	24,084	13,602	6,559
	Total	**1,000**	**10,348**	**24,084**	**13,602**	**6,559**
	Biennial Total			**34,432**		**20,161**
2 - Revenues, Transfers In*						
General Fund		-	-	-	-	-
	Total	**-**	**-**	**-**	**-**	**-**
	Biennial Total			**-**		**-**

Bill Description

HF96 creates a public health insurance option as well as a temporary cost-sharing subsidy for households purchasing health insurance in the individual health insurance market.

Section 1 directs MNsure to develop and implement a transitional cost-sharing subsidy (T-CSR) for plan years 2024 and 2025 for eligible individuals enrolled in gold level health plans through MNsure. The amount of the monthly subsidy equals $75 for each eligible individual. Payments are made to insurance carriers for eligible enrollees.

The bill also expands the existing MinnesotaCare program to include a MinnesotaCare public option (MCRE-PO) health care program for persons with income greater than 200 percent of the federal poverty guidelines (FPG), and who meet all other requirements to be eligible for MinnesotaCare. Enrollment in the MCRE-PO is limited to an annual open enrollment period or special enrollment period as designated by MNsure. These provisions are effective January 1, 2026, or upon federal approval, whichever is later. Undocumented noncitizens will also be eligible for MinnesotaCare, effective January 1, 2025.

Section 7 establishes revised premiums for all MinnesotaCare enrollees based on income, including directing the Department of Human Services (DHS) to establish a sliding scale for premiums under the public option to be used for premiums beginning January 1, 2026.

Section 8 establishes a small employer transitional health care credit effective for taxable years beginning after December 31, 2022, and before January 1, 2026.

Section 9 directs DHS to develop a public option for small employers and present recommendations to the Legislature by December 15, 2024.

Section 10 describes the transition to the MCRE-PO, including that the commissioner of human services will continue to administer MinnesotaCare as a basic health plan and the commissioner will present an implementation plan for the MCRE-PO to the legislature by December 15, 2024. The implementation plan must include recommendations for changes to the MCRE-PO necessary to maintain federal basic health plan funding or receive other federal funding, allowing employee payments toward premiums to be pretax, and increasing MinnesotaCare provider enrollment, as well as estimates of state costs related to the MCRE-PO and draft legislation to implement the MCRE-PO and the implementation plan recommendations.

Section 11 requires the commissioner of human services to seek any federal waivers, approvals, and law changes necessary to implement the act that allow for the state to continue to receive federal basic health plan funding and other

federal funding for the MCRE-PO, and for the state to receive federal payments equal to the value of advance premium tax credits and cost-sharing reductions that MCRE-PO enrollees would otherwise have received. The commissioner of human services is permitted to contract for technical and actuarial assistance and is directed to consult with the commissioner of commerce and the board of directors of MNsure.

Assumptions

Transitional Cost-Sharing Subsidy (T-CSR)

MNsure assumes individuals will be determined eligible for the new subsidies via existing application and eligibility determination processes because necessary eligibility information is already collected at the time of application.

Although the effective date in the legislation is January 1, 2024, MNsure assumes the systems functionality to support the programs must be fully implemented by November 1, 2023, to ensure Minnesotans enrolling into coverage can see the subsidies for which they are eligible when they are selecting plans for 2024 coverage during the annual open enrollment period.

MNsure assumes eligible individuals will be able to see their available subsidies displayed within MNsure's existing online shopping and enrollment platform, GetInsured (GI), and that GI will need to make necessary modifications to support the new subsidies. GI will also need to support the transfer of information to insurance carriers on the amount of the subsidy for each plan member.

The cost of implementing changes in MNsure's technology system to support the new program is estimated at $1,000,000. In order to implement the program in time for the 2024 plan year, MNsure's vendor would need to begin development work no later than April 15, 2023.

MNsure assumes that if the development begins later April 15, 2023, the subsidy will not be ready for the 2024 plan year but will instead be effective for the 2025 plan year.

MNsure assumes it will need 0.5 FTEs in a Management Analyst 4 position to support the facilitation and reporting of subsidy information to insurance carriers. The estimated base salary cost is $45,000 per year.

MNsure assumes it will also need 1 FTE in a Director level position to manage subsidy reconciliation and data management processes of the subsidy program. The estimated base salary cost is $130,000 per year.

In FY24, FY25, and FY26, MNsure assumes it will need $75,000 per year for internal and external audits of the subsidy program. MNsure assumes it will need 1.3 FTE in an Audit Senior position to complete these audits during these fiscal years. The estimated base salary cost is $85,000 per year.

MNsure assumes it will track information necessary to calculate payments to carriers for eligible enrollees.

MNsure assumes it will mail approximately 100,000 3-page notices per year to enrollees to provide necessary eligibility determination notices to consumers.

MNsure assumes there may be some additional call volume to the MNsure contact center associated with the new programs; however, due to the overall simplicity of the program and its broad-based application to enrollees, MNsure assumes it can absorb costs associated with any additional calls received.

MNsure assumes it will not conduct appeals for the subsidies.

MNsure assumes it will not market the new subsides unless there is funding provided in the bill to do so.

MNsure assumes that the Board has the authority to implement and administer this program subject to its existing statutory authority and the authority granted/provided in HF96.

Uptake

The premium subsidy and cost-sharing subsidy are brand new programs so MNsure is constrained in our ability to predict consumer behavior, particularly for consumers who are currently uninsured or insured outside of MNsure.

The following uptake estimates are based on enrollment data for the current plan year and do not include projections about how MNsure's enrolled population might change due to the presence of the new subsidy. The available data is based on the federal enhanced premium tax credits made possible through the American Rescue Plan Act (ARPA) and extended through plan year 2025 in the Inflation Reduction Act (IRA) and plan rates that were filed for 2023, which are subject to the current state reinsurance program (MN Premium Security Act). If rates were to go up (or down) next year or in future years, more (less) people would likely qualify for the subsidy, since fewer (more) people would already be receiving $0 premiums after federal tax credits.

The table below shows uptake and estimated state costs for the T-CSR by month and year. Subsidy payments to carriers run from January 1, 2024 December 31, 2025. Costs to the general fund are reflected as a fiscal year translation (the last half of FY24 through the first half of FY26).

State Gold Plan Subsidy (T-CSR, $75/mo)	Monthly	Annual
Total Eligible Gold Subsidy Enrollees	22,100	22,100
Total Gold Subsidy Payments	$1.66M	$19.89M

MinnesotaCare Public Option (MCRE-PO)

Application and enrollment flow; systems

MNsure assumes MinnesotaCare will be open as a public option (MCRE-PO) to Minnesotans above 200% FPL that meet all other program eligibility requirements starting January 1, 2026, or upon federal approval. MNsure assumes that Minnesotans above 200% FPL could be determined dually eligible for the MCRE-PO available through DHS and a qualified health plan (QHP) sold on the exchange.

MNsure assumes Minnesotans may only enroll in the MCRE-PO during an annual open enrollment period or special enrollment period, as designated by MNsure in compliance with federal regulations.

MNsure assumes it will continue to act as the single front door for ACA insurance affordability programs in Minnesota, which includes conducting eligibility determinations for Medical Assistance, MinnesotaCare, and QHPs via the Minnesota Technology Eligibility System (METS). MNsure assumes Minnesotans will also use METS as the portal to apply for and select the MCRE-PO. MNsure assumes eligibility for both QHPs and the MCRE-PO will be determined simultaneously in METS using the existing joint assisted application for health coverage. MNsure assumes Minnesotans could be determined dually eligible for the MCRE-PO and a QHP and will need to select either a QHP or the MCRE-PO for coverage.

Currently, Minnesotans who are determined eligible for a QHP are moved from the application in METS to MNsure's enrollment platform, GetInsured (GI), to shop and compare their QHP plan options. MNsure assumes Minnesotans determined dually eligible for the MCRE-PO and a QHP will follow the same path and navigate from METS to GI to shop and compare plans through GI. MNsure assumes consumers will also be able to designate their enrollment selection for the MCRE-PO through GI. A consumer's selection of the MCRE-PO will be transmitted from GI to DHS via an 834 or similar data file generated by GI and sent to the applicable DHS case management system. If this enrollment is due to a qualifying life event outside of open enrollment, MNsure assumes plan shopping in GI will close, prohibiting further shopping or plan selection for MCRE-PO or QHP products. Similarly, if a consumer selects a QHP plan in GI outside of open enrollment due to a qualifying life event, they will no longer be able to select the MCRE-PO. Applicants who select the MCRE-PO are also prohibited from enrolling in an individual market dental plan through MNsure. MNsure assumes METS and GI will need to provide functionality to support each household member's choice between QHP and MCRE-PO such that individual members of the same family could be enrolled in either a QHP or the MCRE-PO.

In order to facilitate plan comparison shopping that includes the MCRE-PO, MNsure assumes MCRE-PO information will

be displayed in GI in a format consistent with QHP coverage so that consumers can compare the cost and benefits of all of the plan options available to them, including premium, out-of-pocket costs, and other benefits and formulary information. MNsure assumes it will also need to make changes to the anonymous shopping tool to include the MCRE-PO information alongside the available QHP plan options.

MNsure assumes annual renewals for MCRE-PO enrollees will be performed in alignment with the current QHP renewals schedule. MNsure assumes enrollees in the MCRE-PO will be auto-renewed for MCRE-PO coverage via GI; however, enrollees will be able to shop for and switch to a QHP during the open enrollment period that follows the renewals process, if they are eligible. The enrollee will receive a notice generated by GI at the time of annual renewal explaining these options.

MNsure assumes the eligibility verification requirements for QHPs will remain as required under federal law, while requirements for the MCRE-PO eligibility and enrollment start dates will follow traditional MinnesotaCare requirements. This means applicants may not be able to have the same start date for coverage depending on whether they select the MCRE-PO or a QHP.

MNsure assumes if an individual disenrolls from their public option plan, the disenrollment is a voluntary loss of minimum essential coverage and therefore does not result in eligibility to enroll in a QHP through a special enrollment period (SEP). Upon a qualifying life event, MNsure assumes an individual could move between a QHP and a MCRE-PO plan in the same coverage year.

Assisters

MNsure assumes its certified assister partners will continue to help Minnesotans with applications and enrollments for QHPs and public health care programs as they currently do today. MNsure assumes assisters, including navigators, brokers and certified application counselors will also help Minnesotans who are applying for and are determined eligible for the MCRE-PO. MNsure assumes that navigators and certified brokers who confirm they are free from conflict of interest will be eligible for payment under MN Stat §256.962, subdivision 5 for helping Minnesotans select the MCRE-PO and MNsure assumes DHS has an appropriation to cover those payments. MNsure will need to update its training, policies and procedures and certification processes to ensure assister partners are prepared to assist Minnesotans with the MCRE-PO.

MNsure assumes a broker would create an assister portal association in METS leveraging existing functionality; this association currently flows into GI. Since a consumer will select the public option within GI, MNsure will modify existing reports within GI to track a broker's eligibility for payment.

Other Administrative Considerations

MNsure assumes it will not conduct appeals for the MCRE-PO.

MNsure assumes it will not do additional marketing or public awareness for the MCRE-PO unless funding is provided to do so.

MNsure assumes its call center will receive calls from Minnesotans with questions about the MCRE-PO related to application and enrollment. MNsure assumes it's call center will forward customer support/case management calls from active MCRE-PO enrollees to DHS as is currently done for traditional MinnesotaCare cases.

MNsure assumes that DHS will consult with MNsure on costs and draft legislation language necessary to implement the program when creating an implementation plan for the MCRE-PO. MNsure also assumes that DHS will consult with MNsure on any federal waivers, approvals, or law changes DHS intends to seek from the federal government to implement this legislation. MNsure assumes no costs for consulting activities as directed in the bill.

Uptake

MNsure understands that DHS needs an actuarial analysis to determine the "full cost" premium used in the MCRE-PO. This information is crucial for MNsure in determining all of the scenarios in which the MCRE-PO would be an attractive option, hindering our ability to predict the overall number of people coming through MNsure to select the new programs.

MNsure has access to some information to complete a partial estimate on uptake for the MCRE-PO, described in greater

detail below. MNsure also notes that predicting market impacts for programs that begin in 2026 is difficult. The only available information is what is currently known. Therefore, the analysis underlying the uptake estimate below assumes that the Minnesota Premium Security Plan (reinsurance) sunsets December 31, 2027 and will therefore be in place for the first two years of the MCRE-PO program. Further, the federal APTC changes for CY2023 passed in the 2021 American Rescue Plan Act and extended through CY2025 in the Inflation Reduction Act will sunset when the MCRE-PO begins.

Further, MNsure cannot predict the impact on the risk pool and future rates for private insurance plans offered to enrollees who remain in the individual market. A significant outflux of consumers from the individual market (on- and off-exchange) and into the MCRE-PO could alter rates and impact overall plan design and future QHP enrollment. An actuarial analysis would be required.

MNsure's uptake analysis was informed by individual market analysis completed by the Minnesota Department of Commerce for the fiscal note on HF11 produced in 2021 using the known premiums for MCRE-PO enrollees under 400% of the federal poverty level (FPL) outlined in the legislation. The Department found that, in general, the younger the adult family members, the less incentive there is to select the MCRE-PO, and the larger the family, the less incentive there is to select the MCRE-PO. There are also limited situations in which a single plan enrollee would be incented to purchase a QHP instead of the MCRE-PO.

MNsure completed further analysis of the enrolled population in 2021 on the exchange which, at the time of the estimate, concluded an estimated 18.6 percent of enrollees would move from a QHP through MNsure to a MCRE-PO. MNsure has applied this percentage to 2023 enrollment figures resulting in approximately 21,600 enrollees moving from a QHP through MNsure to the MCRE-PO. This figure is considered a conservative estimate of the number of consumers who would select the MCRE-PO because it does not account for consumers increasingly enrolling in the MCRE-PO when the state reinsurance program sunsets leading to higher QHP premiums, and some consumers may choose the MCRE-PO without federal APTC changes in place.

This estimate does not attempt to parse decision making based on anything other than monthly premium cost. Consumer preference regarding actuarial value, networks, providers and other factors are unknown and therefore unaccounted for in this estimate. The estimate also assumes that consumers who completed a non-financial METS application (applying through MNsure's unassisted path) do not reapply for assistance. Because those individuals chose not to give MNsure/METS their income information, that is the only assumption MNsure can reasonably make about this population and MNsure has no way of intuiting how the MCRE-PO would impact them financially.

MNsure assumes that DHS will complete an actuarial analysis as permitted in the bill as part of the federal waiver development process and the analysis will include revised estimates for uptake in the MCRE-PO.

Systems impacts

In order to have a systems estimate for this fiscal note, MNsure requested an estimate from our vendor, GI, that does not reflect the complete set of assumptions or full costs of the IT investment that would be required to implement the legislation. Some assumptions are still unknown because, and as noted in the bill language, additional implementation planning is needed. The estimate also does not include ongoing maintenance costs due to uncertainty around renewals.

MNsure assumes that as part of the implementation plan process envisioned in the legislation, DHS and MNsure will convene joint application development sessions in collaboration with the technical teams at MNIT/METS and GetInsured to determine detailed business and functional requirements. MNsure assumes these requirements will be used to create a comprehensive project plan, including development and testing timelines, resources needed for maintenance and operations of the program's IT administration and other implementation considerations.

The preliminary estimate for systems development in GI includes a cost of $3.5 million and an implementation timeline of 9-12 months. Given the additional time needed for DHS, MNsure, and MNIT to flesh out the full scope of work, MNsure is unable to indicate with certainty whether the timeline will meet the effective dates in the legislation. MNsure assumes systems costs for METS development to support the MCRE-PO will be carried by DHS and are not attributable to MNsure.

Undocumented residents

MNsure assumes MinnesotaCare will be available to undocumented Minnesotans beginning January 1, 2025. MNsure assumes undocumented residents will be able to apply through the METS assisted application and, upon an eligibility determination, move into the existing DHS case management system for plan enrollment in MinnesotaCare, as currently

occurs for Minnesotans enrolling into traditional MinnesotaCare. MNsure assumes undocumented residents will continue to be ineligible for QHP enrollment, in alignment with federal law.

Other considerations

MNsure assumes federal legislation (the American Rescue Plan Act (ARPA) and Inflation Reduction Act (IRA)) to change APTC eligibility and affordability that was signed into law in March of 2021 could have additional effects on rates in the individual market and broader enrollment trends that are beyond the scope of this fiscal note. As was noted previously, MNsure's estimates on uptake for the MCRE-PO and T-CSR are based on the ARPA/IRA enhanced tax credits being in place. The full impact on the individual market due to ARPA/IRA, and how the market will change should ARPA/IRA changes be allowed to sunset, is not fully known and is therefore unaccounted for in this fiscal note.

State Gold Plan Subsidy (T-CSR, $75/mo)	**Monthly**	**Annual**
Total Eligible Gold Subsidy Enrollees	22,100	22,100
Total Gold Subsidy Payments	$1.66M	$19.89M

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Total Eligible Gold Subsidy Enrollees	22,100	22,100
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Expenditure and/or Revenue Formula

MNsure notes that in the absence of a complete estimate for uptake in the T-CSR and MCRE-PO as indicated above, MNsure is unable to provide a full accounting of all of the costs and FTEs required to implement this legislation. The information in the following paragraphs reflects only what is known today, including all of the limitations that have so far been described.

MNsure and DHS currently have a cost-sharing agreement wherein DHS reimburses MNsure for supporting public programs and their enrollees. MNsure assumes the expansion of MinnesotaCare as a public option will fall under the current cost-sharing agreement; therefore, any administrative costs MNsure incurs to support the MCRE-PO will be reimbursed through the existing cost allocation formula with DHS. This includes additional call center activity, assister support, and any other activities that are attributable to supporting enrollees in the new programs created in this legislation. While we cannot model all of the expected costs in the absence of a complete uptake estimate, MNsure assumes it will be made whole for all eligible costs.

MNsure's budget relies on premium withhold (PWH) revenue from QHPs sold on the exchange. MNsure assumes as consumers shift away from QHP enrollments, QHP revenues decrease. Any reimbursement MNsure receives from DHS for supporting public program enrollees is separate from the way MNsure funds its QHP-related activities. Any funding MNsure receives through the cost allocation formula would not be a replacement for any loss in PWH revenue because the only purpose of those dollars is to cover costs MNsure incurs for work directly related to supporting public program enrollees.

Additionally, those reimbursements from DHS are generally federal Medicaid dollars that come with restrictions on

allowable use. If MNsure saw an increase in total reimbursement amount due to enrollments in the MRCE-PO through the cost allocation formula, these dollars would not and cannot support the functions MNsure performs for QHP-only activities-plan management, eligibility, and enrollment, MNsure's administrative/executive team, and more. If there is not enough PWH revenue to cover the necessary services required for QHP activities, then MNsure's overall budget must be reduced to the level of available PWH.

Without another source of revenue that could be used for QHP functions, to balance the budget, MNsure would seek to make budget cuts that would result in, but would not be limited to, layoffs of MNsure employees, reduced customer service levels for Minnesotans in both QHPs and public programs, reduced or eliminated contracts with other state agencies and outside vendors, and potentially falling out of compliance with CMS requirements for exchanges.

MNsure understands the intent of the bill is to keep MNsure whole for all of its current QHP-related activities and statutory duties; therefore, MNsure assumes it would receive a transfer from the general fund into the MNsure fund equal to the reduction in PWH MNsure will experience when QHP enrollees shift to the MCRE-PO plus costs identified to implement the bill.

The following table represents the projected impact to MNsure's premium withhold revenue if approximately 21,600 QHP on-exchange enrollees shift to the MCRE-PO in Enrollment Year 2026. MNsure would experience a total PWH revenue loss of $9.8M in the FY26-27 biennium.

Projected Premium Withhold Revenue Loss, by Enrollment Year, 2026-2029							
Enrollment Year	MCRE-Buy-In-Adjusted Member Months	Withhold Percent	Average Premium	MCRE-Buy-In-Adjusted Revenue	Non-Adjusted Member Months	Non-Adjusted Revenue	Revenue Loss
EY 2023	1,296,953	3.50%	$493.17	$22,386,637	1,296,953	$22,386,637	$0
Jan-Jun23	664,826	3.50%	$493.17	$11,475,535	664,826	$11,475,535	$0
Jul-Dec23	632,126	3.50%	$493.17	$10,911,102	632,126	$10,911,102	$0
EY 2024	1,296,953	3.50%	$525.23	$23,841,769	1,296,953	$23,841,769	$0
Jan-Jun24	664,826	3.50%	$525.23	$12,221,445	664,826	$12,221,445	$0
Jul-Dec24	632,126	3.50%	$525.23	$11,620,324	632,126	$11,620,324	$0
EY 2025	1,296,953	3.50%	$559.37	$25,391,484	1,296,953	$25,391,484	$0
Jan-Jun25	664,826	3.50%	$559.37	$13,015,839	664,826	$13,015,839	$0
Jul-Dec25	632,126	3.50%	$559.37	$12,375,645	632,126	$12,375,645	$0
EY 2026	1,037,562	3.50%	$699.21	$25,391,484	1,296,953	$31,739,355	$6,347,871
Jan-Jun26	531,861	3.50%	$699.21	$13,015,839	664,826	$16,269,799	$3,253,960
Jul-Dec26	505,701	3.50%	$699.21	$12,375,645	632,126	$15,469,556	$3,093,911
EY 2027	1,037,562	3.50%	$744.66	$27,041,930	1,296,953	$33,802,413	$6,760,483
Jan-Jun27	531,861	3.50%	$744.66	$13,861,869	664,826	$17,327,336	$3,465,467
Jul-Dec27	505,701	3.50%	$744.66	$13,180,062	632,126	$16,475,077	$3,295,015
EY 2028	1,037,562	3.50%	$793.06	$28,799,656	1,296,953	$35,999,570	$7,199,914
Jan-Jun28	531,861	3.50%	$793.06	$14,762,890	664,826	$18,453,612	$3,690,722
Jul-Dec28	505,701	3.50%	$793.06	$14,036,766	632,126	$17,545,957	$3,509,191
EY 2029	1,037,562	3.50%	$844.61	$30,671,633	1,296,953	$38,339,542	$7,667,908

Jan-Jun29	531,861	3.50%	$844.61	$15,722,478	664,826	$19,653,097	$3,930,619
Jul-Dec29	505,701	3.50%	$844.61	$14,949,156	632,126	$18,686,444	$3,737,289

Projected Premium Withhold Revenue Loss, by Fiscal Year, 2025-2029	
Fiscal Year	Revenue Loss
FY24	$0
Jul-Dec23	$0
Jan-Jun24	$0
FY25	$0
Jul-Dec24	$0
Jan-Jun25	$0
FY26	$3,253,960
Jul-Dec25	$0
Jan-Jun26	$3,253,960
FY27	$6,559,378
Jul-Dec26	$3,093,911
Jan-Jun27	$3,465,467
FY28	$6,985,738
Jul-Dec27	$3,295,015
Jan-Jun28	$3,690,722
FY29	$7,439,811
Jul-Dec28	$3,509,191
Jan-Jun29	$3,930,619
FY24-25 Biennium TOTAL	$0
FY26-27 Biennium TOTAL	$9,813,338
FY28-29 Biennium TOTAL	$14,425,549

Finally, as has been outlined at various places within this note, the overall budget impacts contained in this fiscal note are considered incomplete and most likely lower than the overall cost to fully implement this legislation. MNsure assumes that it will request any additional funding needed to hold MNsure harmless within the implementation plan for this bill due to the Legislature, when revised estimates on uptake are available and any additional systems requirements are known.

Projected Program Administration Expenditures FY23-FY26					
	FTE	FY23	FY24	FY25	FY26
Subsidies (T-PS &T-CSR)					

Salary	2.8	$ -	$ 130,000	$ 260,000	$ 130,000
Fringe, 38% rate			$ 49,400	$ 98,800	$ 49,400
Workstation			$ 15,000	$ 15,000	$ 15,000
IT Development		$ 1,000,000	$ -	$ -	$ -
Notices		$ -	$ 90,000	$ 180,000	$ 90,000
Indirect, 24% rate		$ -	$ 43,200	$ 64,800	$ 43,200
Subsidies Subtotal		$ 1,000,000	$ 402,600	$ 693,600	$ 402,600
MCRE-PO					
IT Development		$ -	$ -	$ 3,500,000	$ -
MCRE-PO Subtotal		$ -	$ -	$ 3,500,000	$ -
Total Costs by FY		$ 1,000,000	$ 402,600	$ 4,193,600	$ 402,600

Long-Term Fiscal Considerations

MNsure has included two additional years in the revenue table for the MCRE-PO that are outside the budget horizon because the implementation date of the program moves the bulk of the revenue impact to MNsure into the out years. This provides a sense of costs in subsequent years when the program is in full effect- MNsure's estimated revenue losses total just over $14.4M in the FY28-29 biennium. However, budget impacts would be ongoing.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Pete Engler **Date:** 3/15/2023 11:17:18 AM

Phone: 651-247-0247 **Email:** pete.engler@state.mn.us

Fiscal Note **2023-2024 Legislative Session**

HF96 - 0 - Modifications to Public Health Care Options

Chief Author: **Jamie Long**
Commitee: **Health Finance And Policy**
Date Completed:
Agency: Revenue 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	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	-	355	266	200	91
Total	**-**	**355**	**266**	**200**	**91**
Biennial Total			**621**		**291**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2023	**FY2024**	**FY2025**	**FY2026**	**FY2027**
General Fund	-	1.79	1.76	1.29	.56
Total	**-**	**1.79**	**1.76**	**1.29**	**.56**

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.
This fiscal note estimates the administrative impact of the proposed bill. State tax revenue impacts are shown on a corresponding revenue analysis produced by the Department of Revenue Tax Research Division. Published revenue analyses can be found at https://www.revenue.state.mn.us/revenue-analyses. Note that a revenue analysis may not be available until the bill is scheduled for a Tax Committee hearing.

LBO Signature: Joel Enders **Date:** 1/30/2023 9:21:41 AM
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	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	355	266	200	91
Total	**-**	**355**	**266**	**200**	**91**
Biennial Total			**621**		**291**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	355	266	200	91
Total	**-**	**355**	**266**	**200**	**91**
Biennial Total			**621**		**291**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Bill Description

This bill creates transitional cost-sharing reductions, premium subsidy, small employer public option, small employer transitional health care credit, expands eligibility for MinnesotaCare, modifies the premium scale, and requires recommendations for alternative payment and delivery systems.

Section 8 of this bill creates a nonrefundable transitional health care credit for small employers. The credit can be used to offset regular income tax, minimum fee, and alternative minimum tax. If the credit exceeds the employer's tax for the tax year, the excess may be carried forward for up to 5 tax years.

Employers that qualify are those who average fewer than 50 full-time employees during the tax year. The credit equals 50% of the employer's qualified employee health care expenses. Credits earned by a pass-through entity are distributed to owners proportionally based on their share of the entity's income for the year.

The credit is available for tax years beginning after December 31, 2022, and before January 1, 2026. The credit language expires for taxable years beginning after December 31, 2025, except that the Department of Revenue (DOR) retains audit and examination powers through statute of limitation periods.

Assumptions

Department of Revenue (DOR) assumes 85% of eligible filers will claim the credit, which is approximately 150,498 filers, and assumes that 1% of credits claimed will be audited.

DOR assumes that schedule M1 tax return and corresponding instructions will be updated. DOR will need 0.10 MAPE in FY24 and ongoing to make the changes required.

DOR will need to update the Integrated Tax System (GenTax) and other computer systems, which includes analysis, gathering requirements, and system testing. This work would be done by MNIT at DOR. Systems development costs are estimated at $84,800 and would be done in FY24. Ongoing system support beginning in FY25 is estimated at $2,200 each year ongoing.

Additional MAPE staff in Tax Operations and Corporation Tax would be needed for systems analysis and testing totaling 0.06 in FY24.

DOR will need additional MAPE and AFSCME staff for return processing, data capture and scanning, and early audit review. DOR will require 1.44 MAPE FTEs in FY24 and FY25, and 0.72 MAPE FTEs in FY26; 0.01 AFSCME FTEs for

FY24 through FY26.

DOR will need additional administration and compliance staff. This would include providing customer assistance for new taxpayers, processing returns and reports, and auditing activities. DOR assumes approximately 0.15 MAPE FTE and 0.01 MMA FTEs in FY24, 0.26 MAPE FTEs and 0.05 MMA FTEs in FY25, 0.46 MAPE FTEs and 0.10 MMA FTEs in FY26 and ongoing, will be needed.

DOR assumes approximately 0.03 Communications MAPE FTE's will be needed in FY24 for form creation, updating existing forms, website/outreach/technical manual changes, and AARP/VITA outreach.

DOR will incur additional non-employee costs to provide taxpayer information (not including outreach). This includes costs for editing/designing/updating fact sheets, tax forms and instructions, website content and other materials, and for issuing press releases, social media posts, and email updates. The estimated cost for this bill is $2,700 as noted in the Administrative Costs chart below as Forms/Media/Communications.

FTE Impact

FTE's	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Communications staff (MAPE)		0.03			
Corporate Tax staff		0.16	0.31	0.56	0.56
MAPE		0.15	0.26	0.46	0.46
MMA		0.01	0.05	0.10	0.10
Individual Income Tax staff (MAPE)		0.10			
Systems Analysis & Testing staff (MAPE)		0.06			
Tax Operations/Processing staff		1.45	1.45	0.73	
AFSCME		0.01	0.01	0.01	
MAPE		1.44	1.44	0.72	
Total FTE Impact		1.79	1.76	1.29	0.56

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

This bill may have an impact on state tax revenues. An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before Tax Committee and will provide one for this bill when it is before Tax Committee.

Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employees		257,589	264,037	197,202	89,146
Systems Analysis & Testing		9,564	143	143	
Systems Development		84,800			
Systems Support			2,200	2,200	2,200
Mailing		2,700			
Total Administrative Costs (Savings)		354,653	266,380	199,544	91,346

Note: This chart uses whole numbers. Total may vary slightly due to rounding.

Long-Term Fiscal Considerations

Ongoing and annual system support is necessary to accommodate future maintenance of new code, storage, and support. System support is calculated at up to 20% of original development costs.

Staff will be needed going forward for taxpayer assistance, compliance, and enforcement activities. The credit expires for taxable years beginning after December 31, 2025, except DOR retains audit and examination powers through any statute of limitation periods.

Local Fiscal Impact

Local governments with less than 50 employees would be eligible for this credit. The credit equals 50% of the employer's qualified employee health care expenses. The credit can be used to offset regular income tax, minimum fee, and alternative minimum tax. If the credit exceeds the employer's tax for the tax year, the excess may be carried forward for up to 5 tax years.

References/Sources

Agency staff provided information for this fiscal note.

If information technology costs are included, my agency's Chief Business Technology Officer has reviewed the estimate.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

Agency Contact: Chelsea Magadance

Agency Fiscal Note Coordinator Signature: Chelsea Magadance **Date:** 1/30/2023 8:16:12 AM

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