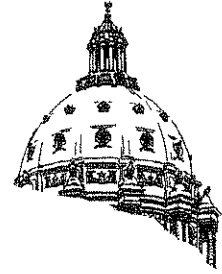


Fiscal Analysis Department

Minnesota House of Representatives



TO: Representative Matt Dean, Chairman, HHS Finance Committee

FROM: Doug Berg, Fiscal Analyst (296-5346)

A handwritten signature in dark ink, appearing to be 'DB', written over the printed name 'Doug Berg'.

DATE: January 6, 2015

Re: Health Care Access Fund forecast changes

You asked for summary information on the change in Medical Assistance and MinnesotaCare enrollment and the effect on the Health Care Access Fund (HCAF) in the November 2014 revenue forecast compared to the February 2014 forecast. The attached sheets show the overall enrollment numbers for the two programs in each forecast and also the HCAF balance in each forecast as well as a listing of when the major changes occurred and what they were.

The total improvement in the HCAF between the February and November forecasts is \$585.4 million in Fiscal Year 2017 (see attachment titled "Health Care Access Fund Balance Changes"). There are several main changes to the fund balance between February of 2014 and November of 2014 (see attachment titled "HCAF Major Change Causes"). The largest of these is the passage in the 2014 legislative session of a base rider which limited the amount the HCAF could spend on Medical Assistance in future fiscal years. This had the effect of reducing the projected Medical Assistance costs from the HCAF in the FY 16-17 biennium by \$403.6 million (with all other Medical Assistance program costs being paid from the state General Fund as has historically been the case). As I noted to you in our prior conversation, it is the fiscal staff view that Minnesota Management and Budget (MMB) did not reflect this base correctly in the "out" years, FY 18-19, which appear in the forecast for the first time in the November forecast. If MMB followed the legislative staff view of the base rider, the "tails" would reflect an additional expenditure of \$14 million per year in FY 18-19. It is not the staff view that those expenditures would occur but that the way the base is reflected in the tails is not what current law specifies. MMB is considering this issue for the February 2015 forecast.

The November revenue forecast makes 2 additional changes that improve the outlook of the HCAF. For the current biennium (FY14-15), the forecast reduced expected expenditures for Medical Assistance and MinnesotaCare by \$114 million. For the upcoming biennium (FY 16-17), the forecast further reduces projected Medical Assistance and MinnesotaCare expenditures by \$54 million. These changes are primarily due to program enrollment changes. The last attachment shows projected enrollment in the two programs over the current and upcoming biennia. The MinnesotaCare program has lower projected enrollment overall. The Medical Assistance program has slightly increased enrollment, however, the enrollment is projected to fall slightly less in enrollment categories that are paid 50/50 with state and federal funds (elderly) and slightly heavier on categories where the federal government pays 90% of the cost (adults without children). This has the effect of reducing program cost even though total enrollment is somewhat higher.

In addition, 2013 session law passed with the MA expansion requires that the HCAF not pay more than its share of the cost of the expansion so as overall program costs have come down (from previous projections, not in absolute terms) the HCAF has benefited and currently is projected to spend less than the amount specified in the base rider passed last year (this is part of the fiscal staff view that the tails (FY18-19) should reflect the number in the base rider rather than the lesser number that is projected to be expended in FY 16-17).

I hope this information answers your question. If you would like to go over this information with me or have any additional questions please contact me at 6-5346 or doug.berg@house.mn.

Health Care Access Fund Balance Changes

November 2014 compared to February 2014

Dollars in 1,000's

Fiscal Year	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Feb. 2014 Forecast	26,778	37,791	(295,813)	(647,022)		
Nov. 2014 Forecast	56,991	175,761	96,680	(61,613)	(149,746)	(222,744)
Difference Feb. to Nov.	30,213	137,970	392,493	585,409		

Note:

Balance is for the end of each fiscal year under current law

Fiscal Years 2018-19 are not in the Feb. 2014 forecast

HCAF Major Change Causes

Between February 2014 forecast and November 2014 forecast

Dollars in 1,000's

Biennium	<u>FY 14-15</u>	<u>FY 16-17</u>
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2014 Session Law base rider		(403,562)
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Note:

Sets base for MA spending from HCAF \$403.6 million lower.

Nov 14 forecast changes	(114,000)	(54,000)
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Note:

Primarily enrollment changes. MinnesotaCare enrollment is lower while MA enrollment is slightly higher overall but there is a shift from categories covered 50/50 with state/federal funds to categories primarily covered by federal funds.

Medical Assistance Enrollment Changes

November 2014 compared to February 2014

Fiscal Year	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Feb. 2014 Forecast	834,059	1,036,866	1,061,012	1,064,586		
Nov. 2014 Forecast	838,256	1,045,801	1,078,034	1,089,633	1,103,511	1,117,460
Difference Feb. to Nov.	4,197	8,935	17,022	25,047		

Note:

Totally monthly average eligibles per DHS forecast

Fiscal Years 2018-19 are not in the Feb. 2014 forecast

MinnesotaCare Enrollment Changes

November 2014 compared to February 2014

Fiscal Year	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Feb. 2014 Forecast	104,494	122,847	147,799	161,685		
Nov. 2014 Forecast	101,646	92,028	116,810	130,933	133,698	134,862
Difference Feb. to Nov.	(2,848)	(30,819)	(30,989)	(30,752)		

Note:

Total monthly average enrollees per DHS forecast

Fiscal Years 2018-19 are not in the Feb. 2014 forecast