The February 2017 state budget forecast projects a balance in the Health Care Access Fund (HCAF) of $685 million for FY 2017. For the upcoming biennium there are forecasted balances of $989 million for FY 2018 and $1.316 billion for FY 2019. In the out years, there are projected balances of $1.446 billion in FY 2020 and $1.11 billion in FY 2021. For each year, the ending balance assumes the prior year balance carries forward. This Issue Brief discusses the HCAF fund balance statement, current (February 2017) forecast changes and recent legislation affecting the fund.

HCAF Overview

The Health Care Access Fund was established in statute in 1992. The fund was enacted as part of the legislation which authorized the MinnesotaCare health insurance program to increase access to health care for lower income Minnesotans. MinnesotaCare financing remains a primary activity of the HCAF but other uses, including paying directly for a portion of the state Medical Assistance program, have been added to the fund’s activities. (Note: See page 5 of this Issue Brief for a copy of the February 2017 HCAF statement.)

Fund Sources

Fund sources include the balance forward (if any) from the prior year, transfers in (if any) and revenues to the fund. Revenues come primarily from two taxes, the health care provider tax2 and the gross premium tax3. There are also several smaller sources of revenue to the fund including MinnesotaCare premiums and investment income. In detail, sources of revenue to the fund are:

Health Care Provider Tax - The largest source of revenue to the HCAF is a 2 percent tax on gross revenues of health care providers, hospitals, surgical centers and wholesale drug distributors. For FY 2018, the provider tax is projected to provide $651.6 million in revenue to the fund.

Gross Premium Tax – The next largest source of revenue to the HCAF is a 1 percent tax on the gross premiums of health maintenance organizations, nonprofit health service plan corporations

1 Minnesota Statutes chapter 16A.724
2 Minnesota Statutes chapter 295.52
3 Minnesota Statutes chapter 297I.05, subdivision 5
and community integrated service networks. For FY 2018 the gross premium tax is projected to account for $80.6 million in revenue to the fund.

MinnesotaCare Enrollee Premiums - Premiums and cost sharing revenue paid by MinnesotaCare enrollees is the third largest source of revenue to the fund. As of January 2015 MinnesotaCare became the state’s Basic Health Plan (BHP) under the Affordable Care Act (ACA) and all premiums remain with the state. Prior to January 1, 2015, the state had a waiver agreement with the federal government where premium revenue was shared between the state and federal government. For FY 2018, MinnesotaCare premiums are projected to account for $43.4 million in revenue to the fund.

Federal Match on Administrative Costs - For FY 2018 (and all years) the federal government is projected to provide $12.6 million in matching funds to the HCAF.

Interest Income - By law interest on balances in the fund accrue to the fund. For FY 2018 there is projected to be $7.4 million in interest on the fund.

Non-add federal revenue – These (bracketed) lines are shown in both the revenues and uses sections. These funds total $399.6 million in FY 2018 and are not counted in HCAF totals but do affect HCAF expenditures. In the revenues section the figure indicates the amount of revenue received in the state Federal Fund from the state BHP needed for MinnesotaCare federally eligible enrollees. This revenue must be used for MinnesotaCare program and currently, combined with premium revenue, pays for 100 percent of the cost of federally eligible BHP enrollment. BHP funds received by the state in excess of the amount needed to fund current costs for BHP eligible enrollees ($41.5 million for FY 2018) are held in the BHP trust account in the state federal fund and can only be used for the federally eligible BHP population. In the HCAF uses section the same (bracketed) figure indicates the amount of MinnesotaCare costs that are paid with these same federal funds.

**Fund Uses**

Fund uses include appropriations and transfers out. In detail, expenditure items are:

MinnesotaCare - This direct appropriation is for MinnesotaCare operations. Projected to be $12.2 million in FY 2018. The fund balance statement indicates the annual projected state direct appropriated cost of the program (program costs less federal and premium revenue). Currently, this represents the cost of enrollees who do not qualify for federal funding through the BHP. The variance from the amount appropriated in the biennial budget is typically corrected through forecast adjustment legislation in the second year of the biennium.

MinnesotaCare Premiums - The same figure that is listed for premiums in the sources section of the fund balance statement which is appropriated to fund MinnesotaCare operations, $43.4 million for FY 2018.

Medical Assistance - Beginning in FY 2014 there have been direct appropriations out of the HCAF to fund a portion of the cost of the Medical Assistance program. This is part of the ongoing cost of program operations rather than the effect of Medical Assistance expansion under
the ACA (see General Fund Transfers). The forecast amount for this in FY 2018 is $210.2 million. Like MinnesotaCare appropriations, the actual appropriations for Medical Assistance are typically adjusted to match forecast numbers during the even year legislative session.

Department of Human Services - $34.7 million in FY 2018 for program administration.

Department of Health - $36.1 million in FY 2018 primarily for the Statewide Health Improvement Program (SHIP).

University of Minnesota - $2.2 million appropriated annually for primary care physician training.

Department of Revenue - $1.8 million in FY 2018 for administration of fund tax sources.

Non-add federal revenue – These (bracketed) lines are shown in both the revenues and uses sections. These funds total $399.6 million in FY 2018 and are not counted in HCAF totals but do affect HCAF expenditures. In the revenues section the figure indicates the amount of revenue received in the state Federal Fund from the state BHP needed for MinnesotaCare federally eligible enrollees. This revenue must be used for MinnesotaCare program and currently, combined with premium revenue, pays for 100 percent of the cost of federally eligible BHP enrollment. BHP funds received by the state in excess of the amount needed to fund current costs for BHP eligible enrollees ($41.5 million for FY 2018) are held in the BHP trust account in the state federal fund and can only be used for the federally eligible BHP population. In the HCAF uses section the same (bracketed) figure indicates the amount of MinnesotaCare costs that are paid with these same federal funds.

**General Fund Transfers**

Medical Assistance - Minnesota Statutes\(^4\) requires that up to $244 million per biennium ($122 million for FY 2018) is transferred to the general fund to pay for the cost of a rate increase in the Medical Assistance program first implemented in 2003. The biennial amount was increased from “up to $96 million” in the 2016 session. In practice half the total is transferred each year if fund balances allow.

Medical Assistance Expansion - In 2013 Medical Assistance eligibility was expanded under the Affordable Care Act to include both new populations and higher incomes\(^5\). The law included a transfer of funds from the HCAF to the General Fund in FY 2014-17 so that there was no General Fund cost for the expansion legislation during those years. The 2013 law included provisions to reduce these transfers in each forecast to the correct amount if it was less than the original transfer appropriation. The final transfer amount (in FY 2017) is projected in this forecast to be $44.1 million.

\(^4\)Minnesota Statutes chapter 16A.724, subdivision 2(a)
\(^5\) Law of MN 2013 chapter 1
Non General Fund Transfers

DHS IT Systems transfer - Statutory transfer to the Special Revenue Fund for DHS computer systems costs. Forecast to be $13.3 million for FY 2018.

Current Forecast Changes

The February 2017 forecast shows decreases to HCAF balances in every biennium compared to November 2016. The HCAF is currently projected to have a balance of $685 million at the end of the FY 2016-17 biennium, $1.316 billion at the end of the FY 2018-19 biennium, and $1.11 billion at the end of the FY 2020-21. Balances begin to decline in the FY 2020-21 biennium due to the sunset of the provider tax in FY 2020 (see below).

Revenues
Compared to November 2016, the February 2017 projection of revenues for the FY 2018-19 biennium is down by $42 million and down by $31 million for the FY 2020-21 biennium.

Costs
Compared to November 2016, the February 2017 projection of the net state cost of MinnesotaCare for FY 2018-19 is up by $5 million. In FY 2020-21 MinnesotaCare forecast costs are up $6 million from the February projection. The drivers for these costs are increased enrollment of individuals over 65 who do not qualify for Medicare and the addition of Deferred Action for Childhood Arrival (DACA) cases.

Legislation Affecting the HCAF

Several recent legislative changes have an impact, or potential impact, to the fund. In the 2011 session legislation was passed that ends the provider tax on December 31, 2019. The provider tax is collected on a calendar year basis, however, state fiscal years begin on July 1 and end on June 30. Thus, the last full year of tax collections is calendar 2019 and the date the tax is repealed is halfway through FY 2020. Tax receipts for that fiscal year are more than half the annual total because the final year’s receipts will catch up with all billing and payment delays.

In addition, legislation enacted in 2011 requires an analysis of fund revenues and uses each December. If the analysis shows that, on a biennial basis, the ratio of revenues to uses is greater than 125 percent then the provider tax must be reduced. The law requires that the tax rate would be adjusted down in increments of one-tenth of one percent until the biennial revenues would no longer exceed the 125 percent standard. The law further specifies that any reduction under this provision would expire at the end of each calendar year and would be subject to annual redetermination by the Commissioner of Minnesota Management and Budget. As of December 2016 the ratio of revenues to uses did not meet the greater than 125 percent test for the FY 2016-17 biennium so no rate reduction occurred for the 2017 calendar year.

For more information, contact Doug Berg, at 651-296-5346 or doug.berg@.house.mn

6 Laws 2011, First Special Session chapter 9, article 6, section 97
7 Minnesota Statutes chapter 295.52, subdivision 8
### Health Care Access Fund

#### February 2017 Forecast

<table>
<thead>
<tr>
<th>Sources</th>
<th>Actual FY 16</th>
<th>Projected FY 17</th>
<th>Projected FY 18</th>
<th>Projected FY 19</th>
<th>Projected FY 20</th>
<th>Projected FY 21</th>
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<tbody>
<tr>
<td>Balance Forward from Prior Year</td>
<td>662,387</td>
<td>496,604</td>
<td>685,055</td>
<td>899,444</td>
<td>1,316,433</td>
<td>1,445,670</td>
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<td>Prior Year Adjustments</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Adjusted balance forward</td>
<td>673,191</td>
<td>496,604</td>
<td>685,055</td>
<td>899,444</td>
<td>1,316,433</td>
<td>1,445,670</td>
</tr>
</tbody>
</table>

**Revenues:**
- 2% Provider Tax: 598,544
- 1% Gross Premium Tax: 85,965
- Provider and Premium Tax Refunds: (14,627)
- MinnesotaCare Enrollee Premiums: 29,994
- Investment Income: 5,149
- MinnesotaCare: Federal Basic Health Program 1 [Non-Add]: [334,004]
- MinnesotaCare: Federal Medicaid Waiver 2 [Non-Add]: [1,004]
- Federal Match on Administrative Costs: 12,648

**Total Revenues:** 717,672

**Total Sources:** 1,390,863

#### Uses

**Expenditures:**
- MinnesotaCare: Direct Appropriation: 114,843
- MinnesotaCare: Federal Basic Health Program 1 [Non-Add]: [334,004]
- MinnesotaCare: Federal Medicaid Waiver 2 [Non-Add]: [1,004]
- MinnesotaCare: State Share of Enrollee Premiums: 30,059
- Medical Assistance: 588,188
- Department of Human Services 3: 30,734
- Department of Health 3: 33,466
- University of Minnesota: 2,157
- Legislature: 67
- Department of Revenue 3: 1,697
- Interest on Tax Refunds: 432

**Total Expenditures:** 501,672

**Transfers Out:**
- To General Fund: 48,000
- 2013 MA Expansion: Laws of MN 2013 Ch 1: 30,841
- Legislature Carryforward Account: 127

**Total General Fund Transfers:** 78,968

**Special Revenue Fund: DHS Systems and Other:** 14,219

**International Med Revolving Loans: M.S. 144.1911 Subd 6:** 500

**Total Transfers Out:** 93,677

**Total Uses:** 895,259

**Structural Balance:** (177,758)

**Balance:** 495,504

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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 are accounted for in the state’s Federal Fund.

3 FY 2017 figure includes funding carried forward from previous years.

Source: Minnesota Management & Budget February 2017 Forecast: [https://mn.gov/mmb/assets/feb17fcst-hcaf_tcm1059-281977.pdf](https://mn.gov/mmb/assets/feb17fcst-hcaf_tcm1059-281977.pdf)