MINNESOTA BUDGET PROJECT
An initiative of the Minnesota Council of Nonprofits

MinnesotaCare: A Vital Part of Minnesota's Health Care System

For more than 20 years, MinnesotaCare has been a path to affordable health insurance for hundreds of thousands of lower-income, working families who are not covered by their employers or are not able to afford coverage in the private market.

Even after the creation of MNsure, the state's health care marketplace, MinnesotaCare continues to play an essential part in Minnesota's health care environment. Through a mix of federal and state funds, MinnesotaCare participants are able to obtain insurance that meets the health care needs of their families, while paying lower premiums and out-of-pocket costs than if they had private insurance.

In the 2013 Legislative Session, policymakers made several changes to MinnesotaCare, including changes that increased eligibility, expanded benefits, reduced costs and simplified delivery of services. The majority of these changes were made to comply with federal requirements to establish a Basic Health Program, a new opportunity for states through the Affordable Care Act. Changes include:

- Removing the $10,000 hospital cap.
- Removing barriers to obtaining coverage, including waiting periods.
- Reducing costs associated with premiums and out-of-pocket costs.
- Eliminating asset tests.

Those who benefited from the lower premiums and out-of-pocket costs under MinnesotaCare include:

- Adults ages 19 to 64 with incomes between 134 and 200 percent of the federal poverty level ($15,283 to $22,980) who apply for their insurance through MNsure and do not have access to other health insurance.[1]
- Legal immigrants at this same income level, as well as those with incomes below 134 percent of the federal poverty level but who are otherwise not eligible for Medical Assistance.

Approximately 70,000 Minnesotans now have affordable, quality health insurance through MinnesotaCare, with expected enrollment at 160,000 by 2016.

MinnesotaCare Demonstrates Minnesota's Leadership and Innovation in Health Insurance Coverage

Last year, Minnesota took the opportunity to establish a Basic Health Program in its state-based exchange as a way to continue MinnesotaCare and the important coverage it offers to lower-income, working Minnesotans. Had Minnesota followed the path of many other states, people currently enrolled in MinnesotaCare would have needed to find new health care coverage through the exchange. This would have been a step backward, as the coverage available through the exchange would be more expensive and may not meet their health care needs.

Until recently, no other states have established a Basic Health Program. Now that federal regulations are in place, other states may follow Minnesota's lead and pursue this important option. For example, New York recently passed a budget proposal to include a Basic Health Program for lower-income families.[2] Other states are expected to follow suit.

Policymakers Can Take Steps to Ensure the Sustainability of MinnesotaCare

The new federal funding formula for MinnesotaCare under the Basic Health Program is unique — unlike any other federal formula used to support a public health care program. The funds a state receives are based on the amount of premium tax credits and cost-sharing subsidies that individuals eligible for the Basic Health Program would have received if they had purchased coverage through an exchange. Under federal law, a state receives 95 percent of the value of these credits and subsidies to fund a Basic Health Program.

In the 2013 Legislative Session, certain assumptions and market analyses were used to estimate how much Minnesota would receive in federal support for MinnesotaCare. Unfortunately, due to unexpected adjustments in premiums, market forces and federal rules for the funding formula, the amount of federal support for MinnesotaCare is lower than originally projected. State policymakers also decided in 2013 to fund a portion of Medical Assistance for low-income Minnesotans from the Health Care Access Fund; these are dollars that previously would have funded MinnesotaCare. Because of these factors, the most recent financial forecast shows that MinnesotaCare faces a deficit in the next biennium.[3]

Minnesota can take steps to stabilize funding for MinnesotaCare and protect health care for working Minnesotans. The House and Senate have proposed reducing the amount of funding for Medical Assistance that will come from the Health Care Access Fund, ensuring that this dedicated funding stream is available for MinnesotaCare.

Another threat to affordable health care for working Minnesotans is the repeal of the health care provider tax – one of the state-based revenues that fund the Health Care Access Fund – scheduled for 2019.[4] While this is nearly five years away, policymakers should not overlook the implications of the repeal for health care sustainability. The provider tax plays an important role in funding MinnesotaCare. This funding source not only serves as a way to ensure access to health care for low-income working families, but also protects the health care provider community by reducing the costs of uncompensated care in Minnesota.

MinnesotaCare continues to be a flagship program for lower-income, working Minnesotans who do not have health insurance coverage through their employers or cannot afford coverage in the private market. State policymakers should continue to prioritize the sustainability of MinnesotaCare to ensure access to affordable, high-quality health insurance coverage for Minnesotans.

By Amy Brugh

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[1] Eligibility for Medical Assistance technically ends at 133 percent of the federal poverty line and eligibility for MinnesotaCare begins at 134 percent. However, for purposes of determining eligibility, 5 percent of income is disregarded, which effectively raises Medicaid eligibility to 138 percent of the poverty line and the threshold for the Basic Health Plan to 139 percent of the federal poverty line.
[2] Health Care for All New York, Key Wins for Health Consumers in NYS Health Care Budget, April 7, 2014.
[3] Minnesota Management and Budget, Health Care Access Fund: February 2014 Forecast Update, February 2014.
[4] House Research, MinnesotaCare, October 2013.