

February 21, 2024

The Honorable Pamela G. Beidle
Chair, Senate Finance Committee
Senate Office Building, 3 East
11 Bladen St.
Annapolis, MD 21401

Re: Letter of Support – SB 701 – Maryland Health Benefit Exchange – State-Based Young Adult Health Insurance Subsidies Pilot Program – Amount of Annual Subsidies

Dear Chair Beidle and Members of the Senate Finance Committee,

The Maryland Health Benefit Exchange (MHBE) respectfully submits this letter of support on Senate Bill (SB) 701 – Maryland Health Benefit Exchange – State-Based Young Adult Health Insurance Subsidies Pilot Program – Amount of Annual Subsidies. SB 701 makes a technical correction to the program’s authorizing statute, to allow any unspent funds designated for prior years of the Young Adult Subsidy program to be rolled forward and used for subsidies in future calendar years.

In recent years, Maryland has taken significant steps to stabilize the individual market, including implementing the State Reinsurance Program – a partnership with the federal government that has reduced individual market premiums by over 20% since 2019, and enacting Easy Enrollment Programs to allow uninsured individuals to get connected to health coverage by checking a box on their state tax return or unemployment claim. Still, Maryland’s uninsured rate has held steady at about 6%, with young adults remaining most likely to be uninsured. A 2019 analysis showed young adults ages 18-34 accounted for approximately 43% of non-Medicaid-eligible, lawfully present uninsured adults in Maryland,¹ and surveys of young adults have consistently reported costs as the primary barrier to enrolling in coverage. While the State Reinsurance Program has reduced average premiums, it is not an effective way to reduce premiums for individuals below 400% of the federal poverty level (FPL).^{2,3} Premium subsidies are the most effective way to reduce costs for lower-income individuals, including young adults.

MHBE operates a state-funded premium subsidy via the Young Adult Subsidies Pilot Program, which reduces the amount young adults pay for health plans on Maryland Health Connection (MHC). In 2024, young adults are eligible to receive the state subsidy if they are ages 18-37, below 400% FPL, and ineligible for Medicaid. Subsidy parameters are on a sliding scale, with the youngest and lowest income young adults paying the least.

¹ MHBE analysis of 2019 American Community Survey data

² MHBE: [Report on Establishing State-Based Individual Market Health Insurance Subsidies](#) (December 2020). Pursuant to Chapter 104 of the Acts of 2020. See pages 10-11.

³ MHBE: [Draft Maryland 1332 State Innovation Waiver Five-Year Extension Application 2024-2028](#) (February 2023). See Appendix A, page 2.

Current statute authorizes the MHBE Board to use up to \$20M/year from the State Reinsurance Program account of the Maryland Health Benefit Exchange Fund to administer the Young Adult Subsidy Pilot Program. MHBE underspent in the first two calendar years (CY) of the program, 2022 and 2023, by a total of 12.9M (approximately \$6.5M each year). MHBE projects that the program will spend approximately \$22.5M in CY2024 unless the MHBE Board takes action to limit access to the program.

Higher projected costs in 2024 are in part driven by higher-than-expected young adult enrollment in the latter part of 2023 following the resumption of Medicaid redeterminations, as well as unprecedented growth in young adult enrollment during the most recent open enrollment period, which ended January 15, 2024.

- Young adult subsidy enrollment among 18-34-year-olds is **up 41% year-over-year**, outpacing overall 17% enrollment growth.
- Young adult enrollees 18-34 who are <400% FPL (subsidy-eligible) account for **21% of total enrollment**, up from 17% last year.⁴

Increased young adult enrollment provides individual and market-wide benefits by increasing the pool of relatively healthier younger enrollees, who offset higher-cost enrollees. Providing the authority to use unspent program funds from prior years for subsidies in future years will allow MHBE to continue to operate the Young Adult Subsidy Pilot Program in 2024 without the need to take mid-year action to limit access to the program, such as by closing the program to new enrollees or reducing current enrollees' subsidy amounts. As recent data indicates, the program seems to be successfully drawing young adults leaving Medicaid into the individual market. The technical correction in this bill will enable MHBE to maintain access to the program during this crucial period of the Medicaid unwinding process, which continues through the middle of this year.

For further discussions or questions on SB 701, please contact Johanna Fabian-Marks, Director of Policy and Plan Management at johanna.fabian-marks@maryland.gov.

Sincerely,



Michele Eberle
Executive Director

⁴ Analysis of MHBE data as of Jan. 15, 2023 and Jan. 15, 2024.