

January 29, 2025

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

Re: Senate Bill (SB) 5 – Maryland Health Benefit Exchange – State-Based Young Adult Health Insurance Subsidies Pilot Program – Sunset Repeal - Letter of Support

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) 5 – Maryland Health Benefit Exchange – State-Based Young Adult Health Insurance Subsidies Pilot Program – Sunset Repeal. SB 5 repeals the sunset provision to continue the MHBE Board’s authority to administer the Young Adult Subsidy (YAS) as a permanent program, contingent on the continuation of the State Reinsurance Program and sufficient funds available through the collection of the state’s 1% provider assessment fee.

Maryland has taken significant steps to stabilize the individual market, including implementing the State Reinsurance Program (SRP) which reduced individual market premiums by over 30% in the first four years of the program since 2019, with average rates still down more than 17% compared to 2018. Despite this and other successes, Maryland’s uninsured rate has held steady at about 6%, with young adults remaining most likely to be uninsured. A 2022 analysis showed young adults ages 18-34 accounted for approximately 42% of non-Medicaid-eligible, lawfully present uninsured adults in Maryland, and surveys of young adults have consistently reported costs as the primary barrier to enrolling in coverage.¹ While the SRP has effectively reduced average premiums for higher-income Marylanders who receive minimal or no federal premium subsidies, it is not an effective way to reduce premiums for individuals below 400% of the federal poverty level.^{2,3} Premium subsidies are the most effective way to reduce costs for lower-income individuals, including young adults.

In response to this and at the legislature’s direction, in 2022 MHBE launched the Young Adult Subsidy as a pilot program to help young adults reduce the amount they pay for health plans through the Maryland Health Connection (MHC), and ultimately increase enrollment of younger and healthier populations. The program provides an additional state subsidy to eligible enrollees that pairs with federal premium subsidies to reduce premiums costs on a sliding scale, with the youngest and lowest income young adults paying the least. In 2025, young adults are eligible to receive the state subsidy if they are ages 18-37 and below 400% FPL. Increased young adult

¹ MHBE analysis of 2022 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 page 2 of Appendix A.

enrollment provides individual and market-wide benefits by increasing the pool of relatively healthier younger enrollees, who offset higher-cost enrollees, reducing the average morbidity of the risk-pool and thereby reduce average premiums.

Since the launch of the program in 2022 MHC has seen unprecedented growth in young adult enrollment. Additionally, MHBE in consultation with the Maryland Insurance Administration (MIA) recently submitted a report to the legislature to further study the impact of the YAS program.⁴ A few highlights from the report:

- Making Insurance More Affordable
 - Almost 60,000 young adults are currently benefiting from the YAS, **reducing net premiums by an average 30%** from \$125 down to \$87.
- Driving Enrollment Growth and Reducing the Uninsured
 - Since the start of the program **young adult enrollment is up 46%** compared to an all-age enrollment increase of 30%.
 - An estimated **additional 4,700 young adults (18-34)** enrolled in or remained insured in the individual market in 2022 because of the program, contributing to an overall **5% decrease** in the number of lawfully present uninsured young adults in Maryland.
 - These additional enrollees' **estimated morbidity impact on claims was -1.2%** in 2022, which ultimately has the effect of reducing average premiums for all unsubsidized enrollees.
- Supporting Health Equity
 - Enrollment by Black young adults (age 18-34) **increased year over year by 46%**, and enrollment by Hispanic young adults **increased by 50%**

The report also highlighted that while the new young adult enrollees that the YAS program brings into the market add costs to the SRP, they also result in greater federal pass-through funds. Because young enrollees are healthier than average with lower associated claims costs, we estimate that they bring in more federal reinsurance funding than they use, and consequently **approximately half of the cost of the YAS program is offset by a net increase in federal pass-through funding**. So the net cost of implementing the program is lower than the total gross program expenditures from the SRP fund each year.

Due to recent extraordinary growth in young adult enrollment, subsidy expenditures were approximately \$23.9M in 2024. The SRP is stable and projected to be solvent through the current 1332 waiver period through 2028. Furthermore, there is currently enough balance in the reinsurance fund from past years to support the withdrawal of the funding necessary to maintain the YAS through 2028 while maintaining the fund's solvency.

Maryland's experience with the Young Adult Subsidy Program demonstrates the program's success across multiple metrics: increased young adult enrollment, a reduction in young adult uninsured rates, improved morbidity in the individual market, and increased federal funding for the reinsurance program. Maryland continues to be a national leader in improving affordability

⁴ Report Pursuant to SB 601: [Report on the Young Adult Subsidy Program](#) (December 2024).

for individual market enrollees, and the YAS program has proven its value as part of the state's toolbox in these efforts.

For further discussions or questions on SB 5, please contact Johanna Fabian-Marks, Director of Policy and Plan Management at johanna.fabian-marks@maryland.gov.

Sincerely,



Michele Eberle
Executive Director