

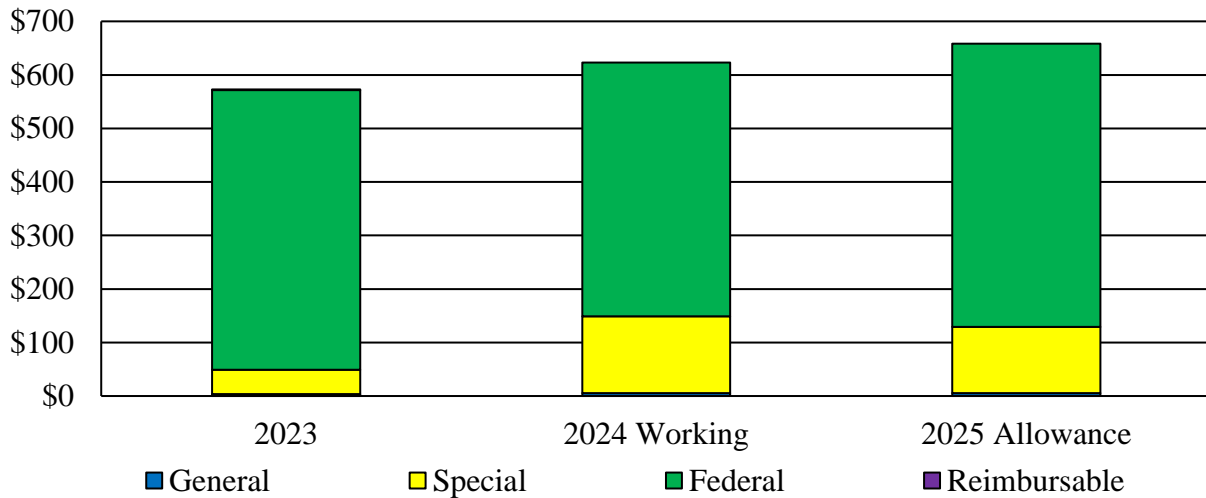
D78Y01 Maryland Health Benefit Exchange

Program Description

The Maryland Health Benefit Exchange (MHBE) was created during the 2011 session in response to the federal Patient Protection and Affordable Care Act (ACA) of 2010. MHBE provides a marketplace for individuals and small businesses to access affordable or no-cost health coverage. Through the Maryland Health Connection (MHC), Maryland residents can shop for health insurance and dental plans, compare rates, and determine their eligibility for tax credits, cost-sharing reductions, and public assistance programs such as Medicaid. Once an individual or family selects a Qualified Health Plan (QHP) or available program, they enroll in it directly through MHC. Under the ACA, to be certified as a QHP, an insurance plan must meet certain requirements, including providing at least 10 essential health benefits with no lifetime maximums and following established limits on cost-sharing. The same rules apply to plans sold both in and out of the exchange, but to be sold on the exchange, a health plan must also be certified by the exchange as a QHP. Premium subsidies are only available to plans purchased on the exchange by eligible individuals.

Operating Budget Summary

Fiscal 2025 Budget Increases \$34.9 Million, or 5.6%, to \$658.2 Million
(\$ in Millions)



Note: The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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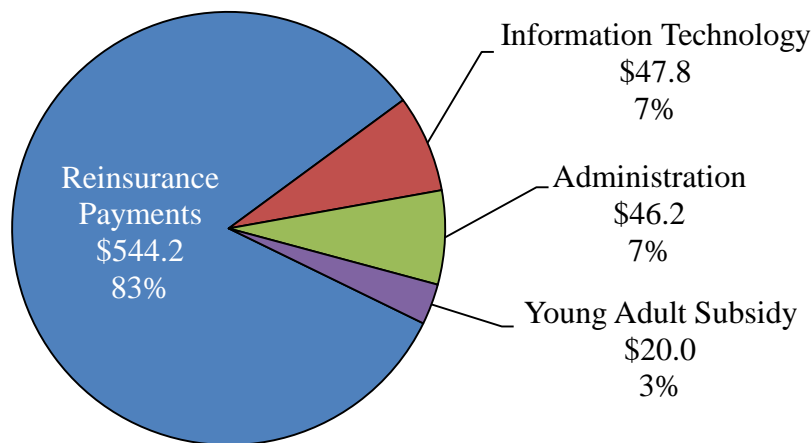
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- The net increase of \$24.4 million in the fiscal 2025 allowance for MHBE’s reinsurance program is primarily driven by an increase of \$54.6 million in federal pass-through dollars. Despite this increase, MHBE anticipates that reinsurance payments will exceed the amount available from the federal pass-through funds, necessitating the use of the State reinsurance fee for a second year to support the program.
- The fiscal 2025 allowance includes \$20 million for the young adult subsidy program, an increase of \$10 million since the two-year pilot program established by Chapters 777 and 778 of 2021 was extended by Chapters 256 and 257 of 2023 from calendar 2023 to 2025.

Fiscal 2025 Overview of Agency Spending

As shown in **Exhibit 1**, MHBE’s fiscal 2025 allowance totals \$658.2 million, of which 86% supports reinsurance payments and the young adult subsidy program. The young adult subsidy program receives \$20 million from the State reinsurance fee. In addition to extending the program through calendar 2025, Chapters 256 and 257 extended the use of \$20 million from the provider assessment to support the program through fiscal 2026. Excluding the reinsurance payments, the rest of the agency spending includes 7% (\$47.8 million) for information technology (IT), and 7% (\$46.2 million) for Administration.

Exhibit 1
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Millions)

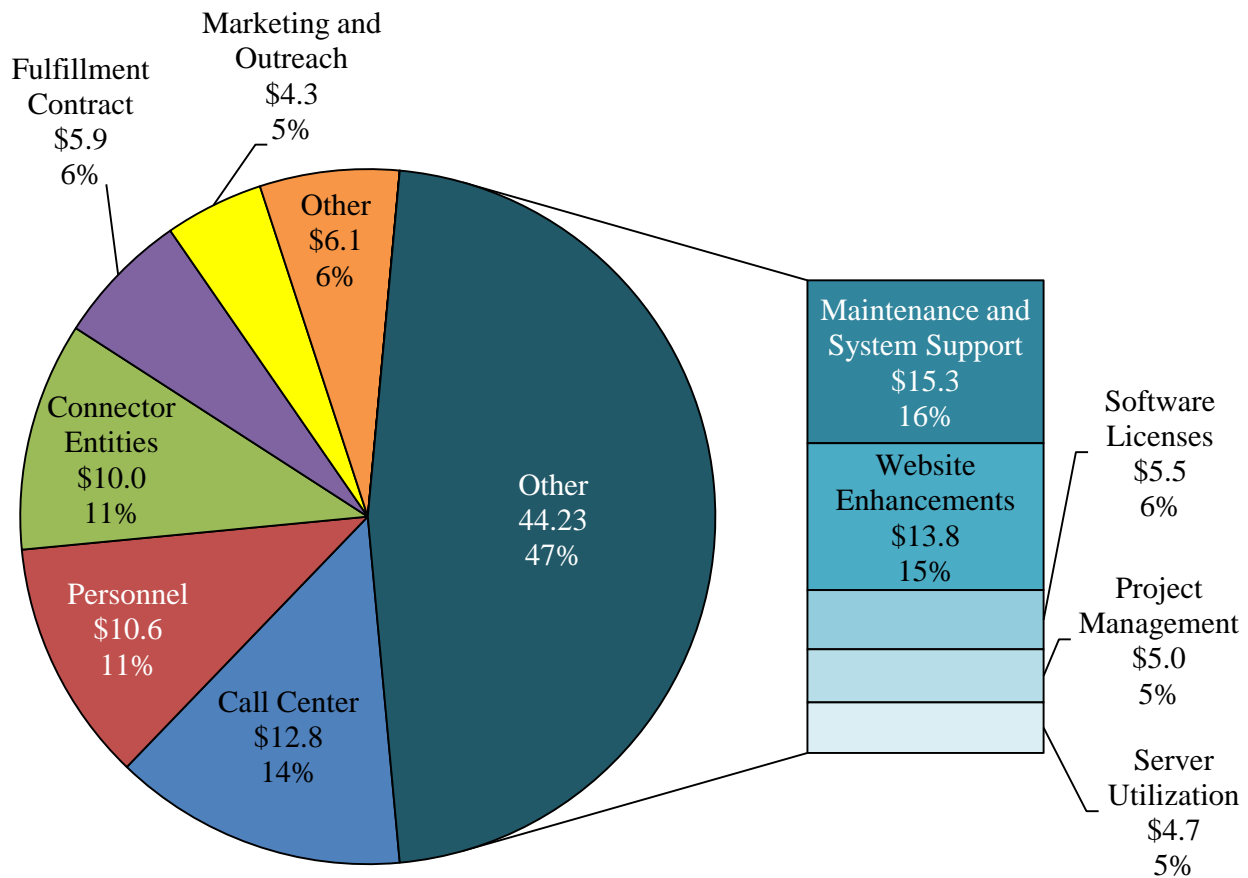


Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Department of Budget and Management; Maryland Department of Health

Exhibit 2 shows the breakdown of the operating expenses of the agency. IT expenses include \$15.3 million for maintenance and system support, \$13.8 million for MHC enhancements, \$5.5 million for software licenses, \$5.0 million for project management, and \$4.7 million for server utilization. Administrative expenses include \$12.8 million for the call center to assist residents in enrolling in health insurance; \$10.6 million for personnel; \$10 million for connector entities, which are organizations that assist in enrolling customers in health insurance programs; \$5.9 million for fulfillment to send required notices and correspondence to MHC consumers; and \$4.3 million for marketing and outreach.

Exhibit 2
Agency Spending for Information Technology and Administration
Fiscal 2025 Allowance
(\$ in Millions)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Department of Budget and Management; Maryland Department of Health

Proposed Budget Change

As shown in **Exhibit 3**, MHBE’s fiscal 2025 allowance increases by a net of \$34.9 million compared to the fiscal 2024 working appropriation. The primary area of increase in the fiscal 2025 allowance occurs in the reinsurance program increase of \$24.4 million for reinsurance payments and \$10 million for the young adult subsidy program. Aside from the reinsurance program, there was a limited overall change (approximately \$366,000), but there was a change in the distribution of funding between Administration (a decrease of \$3.0 million) and the IT program (an increase of \$3.4 million). In addition, within the IT program, there were significant changes including an increase of \$2.9 million for IT consultants to develop enhancements for the MHC website, a \$1.8 million increased in enterprise software licenses, a \$1.4 million increase for maintenance and operations costs, and a \$1 million increase in Amazon Web Services. These increases in the IT program are partially offset by a \$1 million decrease in system support resources and a \$2.2 million decrease for project management office costs. The largest change in the Administration program is a \$3.2 million decrease in call center costs to assist enrollment in a health insurance product by telephone.

Exhibit 3
Proposed Budget
Maryland Health Benefit Exchange
(\$ in Thousands)

How Much It Grows:	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Reimb.</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Fiscal 2023 Actual	\$3,550	\$45,243	\$522,735	\$1,121	\$572,649
Fiscal 2024 Working Appropriation	5,668	143,478	474,167	0	623,314
Fiscal 2025 Allowance	<u>5,645</u>	<u>123,290</u>	<u>529,258</u>	<u>0</u>	<u>658,193</u>
Fiscal 2024-2025 Amount Change	-\$24	-\$20,188	\$55,091	\$0	\$34,879
Fiscal 2024-2025 Percent Change	-0.4%	-14.1%	11.6%		5.6%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Personnel costs associated with 6 new positions.....	\$533
Salary increases and associated fringe benefits, including fiscal 2024 cost-of-living adjustment and increments	367
Turnover expectancy decreases from 5.41% to 3.78%	152
Workers’ compensation premium assessment	1
Reinsurance Program	
Reinsurance payments.....	24,421
Young adult subsidy	10,000

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Where It Goes:	<u>Change</u>
Information Technology	
IT independent consultants that develop enhancements for the MHC website to make the system more user friendly and/or in response to changes in regulations and/or laws.....	2,965
Enterprise software licenses used for the whole platform that hosts MHC and the Maryland Health Benefit Exchange	1,825
Maintenance and operations costs for IT independent contractors that assist in the MHC website.....	1,475
Amazon Web Services IT independent contractors for maintenance and operations of the MHC website.....	1,000
Server utilization costs to be on the Amazon Web Server through the MD THINK shared platform.....	175
Customer Relations Management Software used by the call center to keep information involving communications with consumers that call for assistance	-155
IT independent consultants to program an enrollment system for small business owners and their employees	-250
Centers for Medicare and Medicaid Services required corrective action plan, requiring system enhancements for the No Wrong Door initiative.....	-494
System Support Resource costs for IT independent contractors for the MHC website.....	-1,000
Project Management Office costs for IT independent contractors for the MHC website.....	-2,190
Administration	
Marketing and outreach costs to inform the public of the open enrollment period and printing costs for brochures	-104
Quarterly charge for use of the State of Maryland Network.....	-150
Contract with Hilltop Institute to complete various studies	-155
Foreign language translation services for call center insurance enrollment	-200
Fulfillment to send required notices and correspondence to MHC consumers	-279
Call center costs to assist enrollment in a health insurance product by telephone.....	-3,257
Other changes	199
Total	\$34,879

IT: information technology
MHC: Maryland Health Connection
MD THINK: Maryland Total Human-services Integrated Network

Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Personnel Data

	<u>FY 23 Actual</u>	<u>FY 24 Working</u>	<u>FY 25 Allowance</u>	<u>FY 24-25 Change</u>
Regular Positions	67.00	67.00	73.00	6.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	67.00	67.00	73.00	6.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.53	3.78%
Positions and Percentage Vacant as of 12/31/23	2.00	2.99%
Vacancies Below Turnover	0.53	

- MHBE received 6 new positions in the fiscal 2025 allowance. The 6 new positions are for IT management and support full-time positions, including 2 system administrators, 1 security officer, 1 system operations manager, 1 database manager, and 1 deployment manager. These positions will provide greater supervision of procured IT resources and assist in managing MHBE’s growing workload.
- As of December 31, 2023, MHBE only had a vacancy rate of 2.99%, which, at 2 positions, is 0.53 positions below the number that would be needed to meet the budgeted turnover expectancy in fiscal 2025.

Key Observations

1. Reinsurance Program and Forecasted Funding

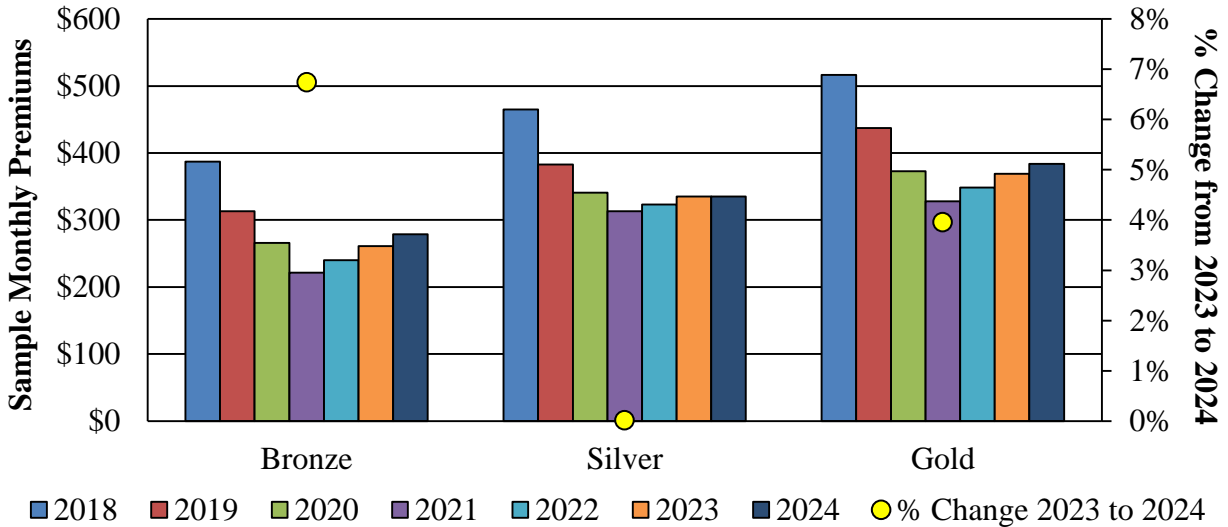
Reinsurance is insurance for carriers that protects against significant losses. Chapters 6 and 7 of 2018 established the State Reinsurance Program (SRP) to address rising health insurance premiums in Maryland. It required MHBE to apply for a State Innovation Waiver under Section 1332 of the ACA to seek federal pass-through funding to support the reinsurance program. The federal government approved the waiver in August 2018. MHBE submitted on March 30, 2023, its request a five-year extension of the waiver from its projected end in plan year 2023 to plan year 2028. The application to extend the waiver was approved by the federal government on June 28, 2023. The approval is effective for a waiver period of January 1, 2024, through December 31, 2028.

Beginning in the 2019 plan year, the SRP provided reinsurance to carriers offering individual health benefit plans. Carriers that incurred a total annual claims costs on any individual between a \$20,000 attachment point (the dollar amount of insurer costs above which an insurer is eligible for reinsurance) and a cap of \$250,000 are to be reimbursed for 80% of those claims' costs. The attachment point decreased to \$18,500 in plan year 2023 but has returned to \$20,000 for plan year 2024.

Individual Market Rates for Bronze and Gold Plans Increase, while Silver Plan Remains Stable in Fourth Year of the State Reinsurance Program

Approval of the Section 1332 Waiver and the availability of federal pass-through funds for the SRP has substantially reduced individual market premium rates approved by the Maryland Insurance Administration (MIA). **Exhibit 4** provides examples of the monthly premiums for the plan year 2020 through 2024 as calculated by MIA for various metal levels for an individual aged 40 in the Carefirst BlueChoice plans. The individual market rates continued to increase for plan year 2024, except for certain plans. The sample monthly premiums provided by MIA for the Bronze plan showed the largest increase (6.74%) followed by the Gold plan (3.95%). However, the Silver plan did not increase. Although premiums typically decreased from calendar 2020 to 2021, they have been steadily increasing from calendar 2021 to 2024. From calendar 2020 to 2024, the sample monthly premiums for the Bronze and Gold plans increased by \$12.56 and \$10.95, respectively, while the Silver plan decreased by \$5.90. Despite the recent increases from calendar 2020 to 2024, sample monthly premiums for all three plans remain significantly lower in calendar 2024 than in calendar 2018, prior to the program's implementation in calendar 2019. In calendar 2024, the sample monthly premiums are lower than calendar 2018 by \$109.70 for Bronze, \$130.11 for Silver, and \$132.73 for Gold.

Exhibit 4
Sample Monthly Premiums for a 40-year-old in a Carefirst BlueChoice Plan
Calendar 2018-2024



Note: Actual premiums will vary from sample rates based on carrier, plan, age, and other factors. These premiums represent samples of premiums without the Advanced Premium Tax Credit. The examples in this exhibit are for individuals living in the Baltimore Metro area (Anne Arundel, Baltimore, Harford, and Howard counties, and Baltimore City).

Source: Maryland Insurance Administration

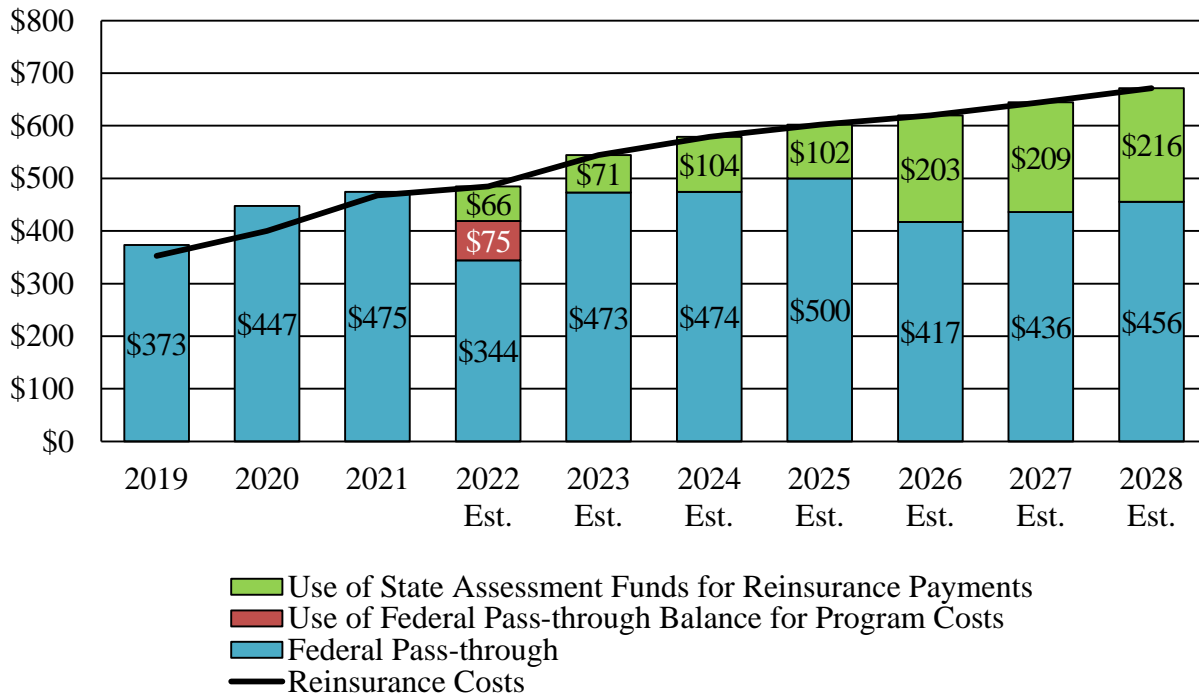
Updated Forecast Shows Sufficient Funding in the State Reinsurance Program

Committee narrative in the 2023 *Joint Chairmen’s Report (JCR)* requested that MHBE submit a report on the funding and forecasted financial situation of the SRP. As opposed to the projection included in the submission in response to committee narrative in the 2022 JCR indicating that the available federal funds plus the State reinsurance fee would have been insufficient to support the program through calendar 2028, MHBE anticipates sufficient funding to support the SRP through calendar 2028. Actual payments to carriers in calendar 2022, which were finalized in July 2023 (\$484.9 million), were lower than actuary estimates (\$519.8 million). The lower than anticipated costs are primarily driven by a lower than expected average reinsurance claim amount per qualifying individual and lower than expected program costs. In addition to lower costs, there are other factors that have improved the forecast in the out-years, including higher expected federal funding and an assumed increase in the attachment point by \$1,000 per year in calendar 2025 through 2028. In terms of federal funding, the federal pass-through funds available were \$34.1 million more in calendar 2023 and are projected to be \$20.6 million more in calendar than in the 2022 projection.

State Reinsurance Program Costs Continue to Exceed Federal Funding

MHBE reported that in calendar 2022 (paid in fiscal 2024), the annual cost of the program exceeded that year’s federal funding plus the remaining balance of prior year federal pass-through funds that were unneeded in the year received. As a result, MHBE drew down funds from the State reinsurance fee for the first time. This fund is expected to be needed to support costs through the forecast period. **Exhibit 5** shows the actual and estimated reinsurance costs and federal pass-through allotment from calendar 2019 through 2026. In calendar 2021, the SRP federal pass-through revenues slightly exceeded expenditures due to receiving additional funding, because the American Rescue Plan Act made changes to subsidy levels for advanced premium tax credits, which continued with the Inflation Reduction Act through calendar 2025. Prior to this change, the initial announcement of available federal pass-through funds was substantially lower and would have been lower than the level of payments.

Exhibit 5
Federal Pass-through Revenues Relative to Reinsurance Costs
Calendar 2019-2028 Est.
(\$ in Millions)



Note: Reinsurance costs represent an estimate from calendar 2023 through 2028. Federal pass-through payments are actual through calendar 2023 and estimates from calendar 2024 through 2028. Assumes enhanced subsidies provided under the Inflation Reduction Act expire after calendar 2025.

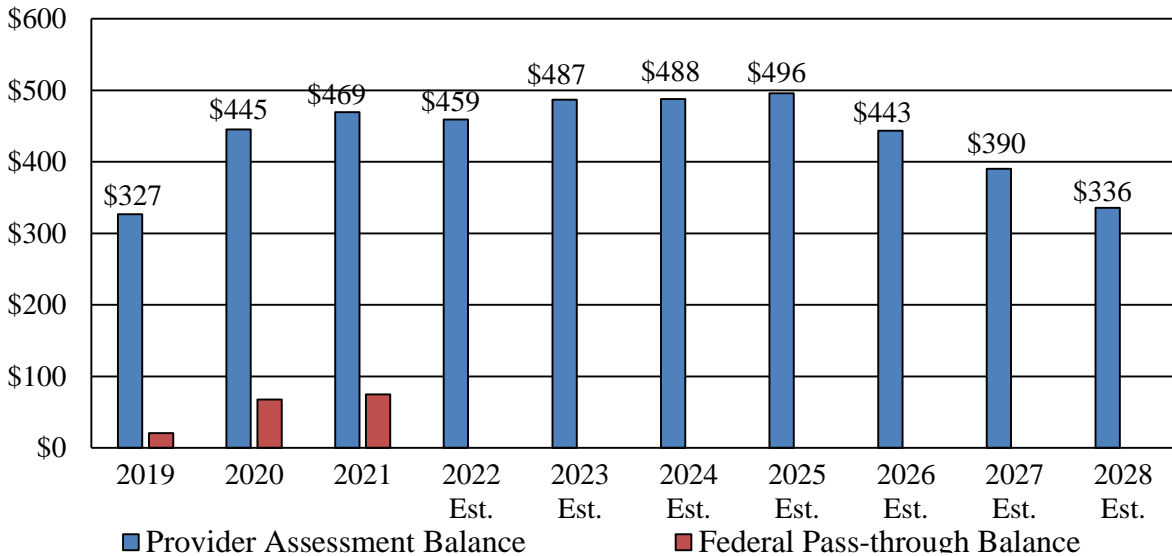
Source: Maryland Health Benefit Exchange; Department of Legislative Services

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In calendar 2022, the SRP’s expenditures exceeded federal pass-through revenue by \$141 million. Estimated expenditures in the SRP exceeded federal pass-through revenue by \$71 million in calendar 2023. Although MHBE anticipates utilizing the State reinsurance fund, this is lower than the projections from last year, despite having no available federal pass-through balance due to a higher estimate of federal pass-through revenue. Actual federal pass-through availability for calendar 2024 will be determined in spring 2024. The use of provider assessment funds for reinsurance payments is expected to continue to increase through calendar 2028.

As noted, annual federal pass-through revenues funded all reinsurance costs through fiscal 2021. Calendar 2022 was the first year that the annual allocation was insufficient, and federal fund balance and State funds covered the remainder of the costs. With that federal fund balance exhausted with calendar 2022 payments, MHBE must utilize the State assessment revenue to fill the gap. As shown in **Exhibit 6**, the State fund balance is expected to grow through 2025 and then decline to \$336 million in 2028 due to expected growth in State funded reinsurance costs and expected decline in federal pass-through funding in calendar 2026 and future years following the end of enhanced federal subsidies under the Inflation Reduction Act.

Exhibit 6
Closing Balance of Federal Pass-through Dollars and State Provider Fee
Calendar 2019-2028 Est.
(\$ in Millions)



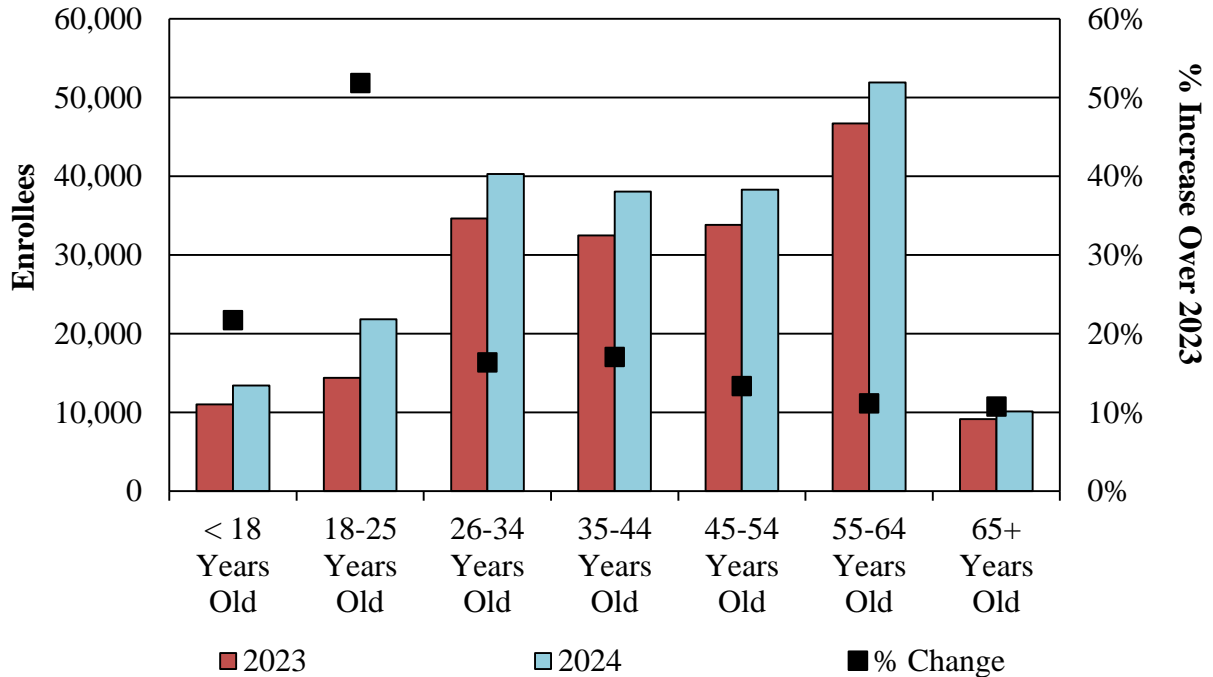
Note: Funding that has been allocated on a fiscal year basis is attributed to the calendar year in which the fiscal year for the funding allocation closes. Reinsurance costs represent an estimate. Assumes enhanced subsidies provided under the Inflation Reduction Act expire after calendar 2025.

Source: Maryland Health Benefit Exchange; Department of Legislative Services

2. Young Adult Subsidy Program

The fiscal 2025 allowance includes \$20 million for the young adult subsidy program. The young adult subsidy provides a subsidy to reduce the cost of health coverage for young adults aged 18 to 37, aiming to reduce expected contributions by up to 2.5%. Chapters 777 and 778 created the State-Based Young Adult Health Insurance Subsidies Pilot Program for two years for calendar 2022 and 2023. Chapters 256 and 257 extended the program through calendar 2025. As shown in **Exhibit 7**, MHBE experienced significant increases in all age group categories between the 2023 open enrollment period and the 2024 open enrollment period, with the biggest increases being 51.8% in the 18 through 25 age group and 21.7% in the under 18 age group. All other age group categories showed increases ranging between 10.7% to 17%. For comparison, the largest increase from the 2022 to 2023 open enrollment period was a 7% increase in the under 18 age group. For the young adult age group from age 18 through 34, there was a 26% increase from the 2023 to 2024 open enrollment period. This increase is likely due in part to the impact of the young adult health insurance subsidy program.

Exhibit 7
Enrollees in a Qualified Health Plan by Age
2023-2024 Open Enrollment Period

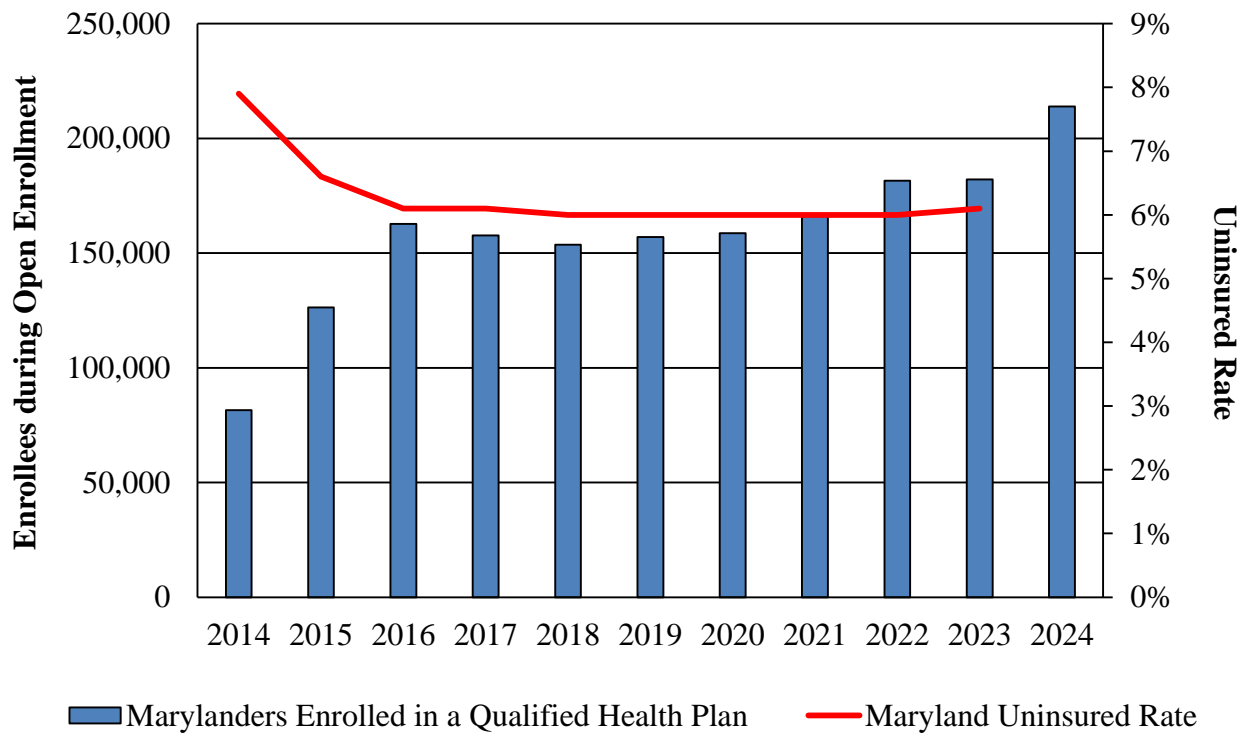


Source: Maryland Health Benefit Exchange

3. Marketplace Enrollment and State Uninsured Rate

As shown in **Exhibit 8**, enrollment in a QHPs continues to increase in plan year 2024, with total enrollment of 213,895, an increase of 31,729, or 17.4% since calendar 2023. This is the largest increase since calendar 2016. QHP enrollment has been growing over the past few calendar years due to special enrollment periods during the COVID-19 pandemic, an expanded open enrollment period as recently as plan year 2022, and the resumption of Medicaid redeterminations. The State uninsured rate remains constant at 6% in calendar 2023. For plan year 2024, Aetna Health will be joining the individual market and will increase the total number of participating carriers. Aetna Health will be offering plans statewide, giving individual market enrollees more carriers from which to choose.

Exhibit 8
Maryland Health Connection Enrollment
Calendar 2014-2024



Note: Enrollees are reported for the beginning of the plan year. Individuals may drop off throughout the year.

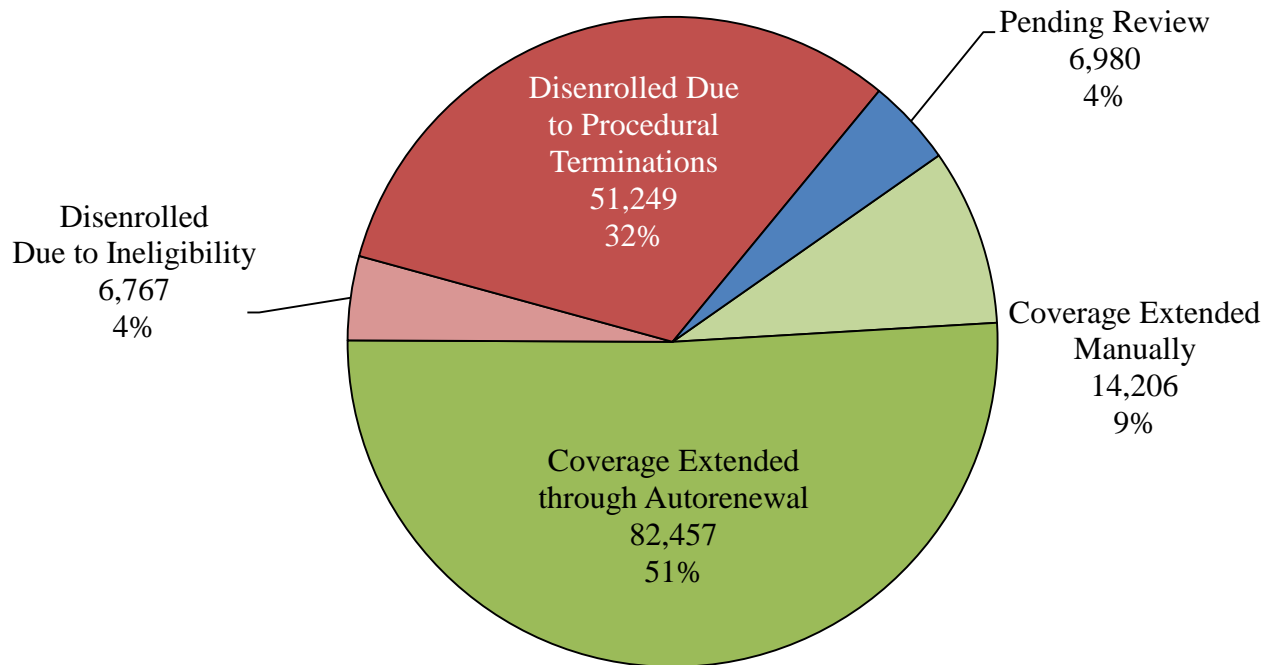
Source: Maryland Health Benefit Exchange; Department of Budget and Management

4. Medicaid Unwinding and Redetermination

One contributing factor to the significant growth from calendar 2023 to 2024 is likely Medicaid disenrollment, as individuals that no longer qualify for Medicaid may seek a QHP through MHBE. During the COVID-19 pandemic, participants did not need to provide renewal information to maintain Medicaid coverage. Beginning in April 2023, federal law required states to resume pre-COVID-19 measures to verify eligibility information and allowed states to begin ending coverage for participants ineligible for Medicaid or whose redetermination cannot be determined for procedural reasons. States are resuming normal operations of conducting eligibility renewals and terminations of coverage for participants who are no longer eligible.

According to the Maryland Department of Health (MDH), May 2023 was the first month in which Maryland processed renewals for Medicaid participants. **Exhibit 9** shows the summary and breakdown of redetermination data published by MDH as of December 2023. According to this data, there was a total of 161,659 participants up for renewal with a December 31, 2023, coverage end date. Of these determinations, the majority, 60% (96,663) received coverage extensions, while 36% (58,016) were disenrolled, and 4% (6,980) were pending reviews. Of the total coverage extensions, 85% were participants who were auto-renewed, while 15% were participants who were not auto-renewed. Procedural terminations of Medicaid participants resumed in November 2023. Of the total disenrollments, the vast majority, 88%, were procedural terminations, representing participants disenrolled due to failure to submit a timely application, or because the renewal was incomplete. Only 12% of disenrollments were participants who were disenrolled specifically due to ineligibility. Further discussion of Medicaid enrollments may be found in the M00Q01 – MDH Medical Care Programs Administration analysis.

**Exhibit 9
Medicaid Redetermination
Calendar 2023**

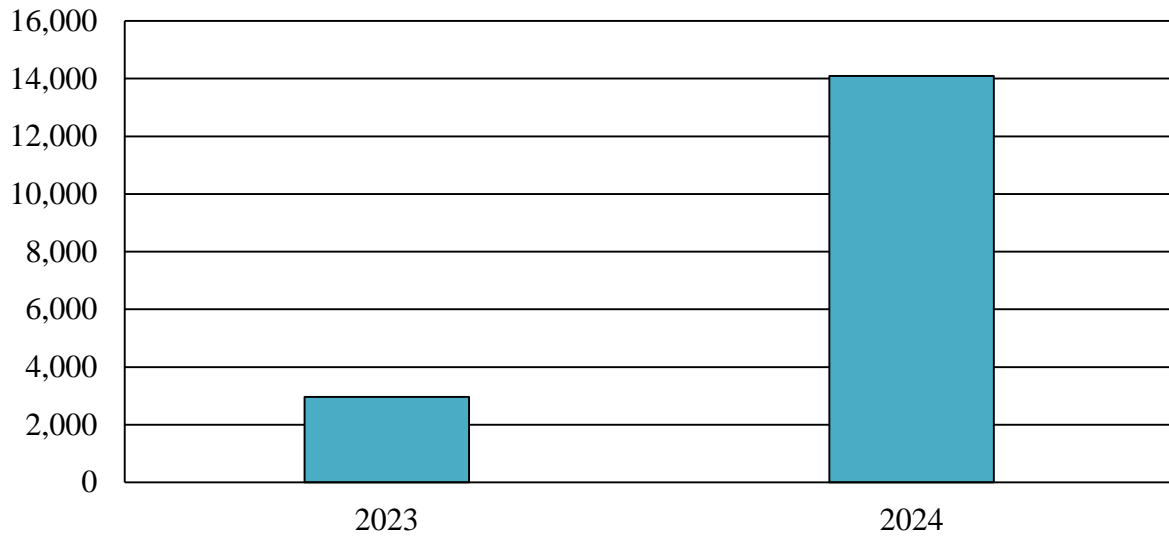


Source: Maryland Department of Health

MHBE should discuss whether they anticipate additional growth in individuals enrolling in a QHP due to Medicaid unwinding and any other factors leading to high growth in enrollment.

Upon redetermination, individuals who no longer qualify for Medicaid through MHC may qualify for coverage through a QHP. **Exhibit 10** shows, using data provided by MHBE, the increase from calendar 2023 to 2024 of individuals enrolled in a QHP that were previously enrolled in Medicaid. There were 14,089 individuals statewide that were no longer eligible for Medicaid enrolled in a QHP during open enrollment between November 1, 2023, through January 15, 2024, a 375% increase from 2,966 individuals in calendar 2023. MHBE reported that these were a part of 37,408 individuals who moved from Medicaid to a private health insurance plan from June 1, 2023, shortly after the federal Public Health Emergency expired, through January 15, 2024.

Exhibit 10
Qualified Health Plan Participants Previously Enrolled in Medicaid
Calendar 2023-2024



Source: Maryland Health Benefit Exchange

Operating Budget Recommended Actions

1. Adopt the following narrative:

Reinsurance Program Costs and Forecasts: The committees are interested in monitoring the costs of the State Reinsurance Program and future funding needs. The committees request that the Maryland Health Benefit Exchange (MHBE) submit a report that provides an updated forecast of spending and funding needs.

Information Request	Author	Due Date
Reinsurance program costs and forecast	MHBE	September 30, 2024

Appendix 1
2023 Joint Chairmen’s Report Responses from Agency

The 2023 JCR requested that MHBE prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Reinsurance Program Costs and Forecast:*** Actual program costs were lower than actuary estimates in payments to carriers. Additional discussion of this item can be found in Key Observation 1.
- ***Notification of Applications for State Innovation Waivers and Decisions on Those Payments:*** MHBE submitted an extension application for a State Innovation Waiver to the U.S. Department of Health and Human Services. The department approved Maryland’s extension application for its State Innovation Waiver and described the specific terms and conditions in the report. The approval is effective for a waiver period of January 1, 2024, through December 31, 2028.

**Appendix 2
Object/Fund Difference Report
Maryland Health Benefit Exchange**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	67.00	67.00	73.00	6.00	9.0%
Total Positions	67.00	67.00	73.00	6.00	9.0%
Objects					
01 Salaries and Wages	\$ 9,763,210	\$ 9,554,314	\$ 10,607,646	\$ 1,053,332	11.0%
03 Communication	111,594	107,500	42,286	-65,214	-60.7%
04 Travel	33,703	15,000	40,000	25,000	166.7%
08 Contractual Services	552,017,705	602,255,524	636,046,708	33,791,184	5.6%
09 Supplies and Materials	9,746	11,500	6,500	-5,000	-43.5%
11 Equipment – Additional	298,168	415,000	475,000	60,000	14.5%
12 Grants, Subsidies, and Contributions	9,475,388	10,000,000	10,000,000	0	0%
13 Fixed Charges	939,537	954,830	974,909	20,079	2.1%
Total Objects	\$ 572,649,051	\$ 623,313,668	\$ 658,193,049	\$ 34,879,381	5.6%
Funds					
01 General Fund	\$ 3,549,620	\$ 5,668,276	\$ 5,644,732	-\$ 23,544	-0.4%
03 Special Fund	45,243,251	143,478,425	123,290,000	-20,188,425	-14.1%
05 Federal Fund	522,734,940	474,166,967	529,258,317	55,091,350	11.6%
09 Reimbursable Fund	1,121,240	0	0	0	0.0%
Total Funds	\$ 572,649,051	\$ 623,313,668	\$ 658,193,049	\$ 34,879,381	5.6%

Note: Fiscal 2025 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.