

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1082

(Delegate Pena-Melnyk, *et al.*)

Health and Government Operations

Finance

Health Insurance - Individual Market Stabilization - Establishment of the State-Based Health Insurance Subsidies Program

This bill requires the Maryland Health Benefit Exchange (MHBE), in consultation with the Insurance Commissioner and as approved by the MHBE Board, to establish and implement a State-Based Health Insurance Subsidies Program to provide subsidies to individuals for the purchase of health benefit plans in the individual market. The program must be designed to maintain affordability for individuals purchasing health benefit plans through MHBE and target individuals who experience an increase in the federal applicable percentages for premiums based on household income in calendar 2026 and 2027, as compared to calendar 2025. MHBE must adopt regulations to implement the program and track specified program expenditures on a monthly basis. **The bill takes effect June 1, 2025, and terminates June 30, 2028, subject to a contingent termination provision.**

Fiscal Summary

State Effect: MHBE can administer the program using existing budgeted resources. Assuming federal advanced premium tax credits (APTCs) are not extended for calendar 2026 and 2027, MHBE special fund expenditures increase by a significant but indeterminate amount (as much as \$75.0 million in FY 2026, \$150.0 million in FY 2027, and \$75.0 million in FY 2028) to provide State-based subsidies for calendar 2026 and 2027, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

State-Based Health Insurance Subsidies Program

Subject to available funds, for calendar 2026 and 2027, MHBE, in consultation with the Commissioner and as approved by the MHBE Board, must establish eligibility and payment parameters for the program that (1) mitigate a reduction in APTCs because of changes in federal applicable percentages; (2) maximize enrollment in the individual market; (3) take into consideration State funds needed to ensure the State Reinsurance Program (SRP) continues to provide market stability through calendar 2028; and (4) take into consideration uncertainties in enrollment in Medicaid, the individual market, and the small group market due to changes in State and federal regulation and funding. On a monthly basis, MHBE must track expenditures on subsidies provided, as specified. The information must be posted on the MHBE website and included in MHBE's annual report.

Maryland Health Benefit Exchange Fund

The purposes of the MHBE Fund are expanded to include providing funding for the establishment of State-based health insurance subsidies to mitigate the impact of a reduction in federal APTCs. The composition of the fund is also expanded to include any funds designated by the State to provide State-based subsidies for this purpose.

In fiscal 2026 through 2028, MHBE may designate funds from the MHBE Fund for the program. Except as specified, funds received from the State health insurance provider fee assessment may only be used for SRP and the State-Based Health Insurance Subsidies Program.

Contingent Termination

If federal APTCs are extended for calendar 2026 and 2027, the bill terminates. Within five days of a change in federal law extending APTCs, the MHBE Board and the Commissioner must notify the Department of Legislative Services.

Current Law:

Federal Advanced Premium Tax Credits

The federal Patient Protection and Affordable Care Act (ACA) established APTCs to help eligible households lower their payments toward premiums for qualified health plans offered through exchanges. Under the ACA, APTCs were available to individuals with

household incomes between 100% and 400% of the federal poverty level (FPL). The APTC formula incorporates a premium contribution for the household receiving the subsidy based on the household’s income multiplied by an applicable percentage. The American Rescue Plan Act (ARPA) expanded eligibility for and the amount of the APTC for calendar 2021 and 2022 by eliminating the maximum income limit of 400% FPL and reducing the applicable percentages, which resulted in larger subsidy amounts. The Inflation Reduction Act (IRA) extended ARPA provisions through calendar 2025. **Exhibit 1** shows expected contribution percentages by household income under the ACA compared with IRA/ARPA.

Exhibit 1
Expected Contribution Percentages under ACA vs. IRA/ARPA Parameters

Household Income (% of FPL)	Individual Contribution to Premium (as a % of Income)	
	ACA¹	IRA/ARPA
Up to 133%	1.82%	0%
133% to 150%	2.73% to 3.64%	0%
150% to 200%	3.64% to 5.73%	0% to 2.0%
200% to 250%	5.73% to 7.33%	2.0% to 4.0%
250% to 300%	7.33% to 8.65%	4.0% to 6.0%
300% to 400%	8.65%	6.0% to 8.5%
Above 400%	Credit not available	8.5%

ACA: federal Patient Protection and Affordable Care Act

ARPA: federal American Rescue Plan Act

FPL: federal poverty level

IRA: federal Inflation Reduction Act

¹ Contribution percentages that would have applied in calendar 2025 but for the IRA/ARPA expansion.

Note: Under the ACA’s original premium subsidy structure, contribution requirements are adjusted annually to reflect premium growth relative to income. By contrast, ARPA expansion of the APTC established fixed-contribution requirements that do not change.

Source: Maryland Health Benefit Exchange

The enhanced APTCs are scheduled to terminate December 31, 2025, unless extended by the U.S. Congress; thus, without further federal action, the subsidies will return to original ACA rules, with a 400% FPL maximum income limit and higher applicable percentages (resulting in lower subsidy amounts). Recent projections from the Congressional Budget Office predict that marketplace enrollment across the United States will decrease by 17% (4 million enrollees), when enhanced APTCs expire.

Maryland Health Benefit Exchange

MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Through the Maryland Health Connection, Maryland residents can shop for health insurance plans, compare rates, and determine their eligibility for federal APTCs and Medicaid. The MHBE Fund generally provides funding for the operation and administration of MHBE, SRP, and the State-Based Young Adult Health Insurance Subsidies Pilot Program.

State Reinsurance Program

SRP provides reinsurance to carriers that offer individual health benefit plans in the State. Carriers that incur total annual claims costs on a per-individual basis between a \$21,000 attachment point (the dollar amount of insurer costs above which an insurer is eligible for reinsurance) and a cap of \$250,000 are reimbursed for 80% of those claims costs. Payments to insurance carriers are made after the plan year ends and all costs have been recorded and reconciled. The federal § 1332 waiver authorizing SRP expires at the end of calendar 2028. In calendar 2026, SRP is expected to cost \$538.9 million.

State-Based Young Adult Health Insurance Subsidies Pilot Program

Chapters 777 and 778 of 2021 required MHBE to establish and implement the State-Based Young Adult Health Insurance Subsidies Pilot Program for calendar 2022 and 2023 to help make health insurance more affordable for uninsured young adults. Subject to available funds, in fiscal 2022 through 2024, MHBE was authorized to designate monies from the MHBE Fund to be used for the pilot program so that no more than \$20.0 million in annual subsidies could be provided in calendar 2022 and 2023. Chapters 256 and 257 of 2023 extended the termination date of the pilot program to June 30, 2026, and authorized MHBE, in fiscal 2024 through 2026, to designate funds from the MHBE Fund to provide up to \$20.0 million in annual subsidies under the pilot program. Under the program, young adults ages 18 to 37 with incomes between 138% and 400% FPL are eligible for State premium assistance subsidies.

State Health Insurance Provider Fee Assessment

Under § 6-102.1 of the Insurance Article, a 1% State health insurance provider fee assessment provides funding for SRP through calendar 2028 to help stabilize the individual health insurance market. Funding for SRP is generated through a combination of federal pass-through dollars through the State's federal § 1332 waiver and from the 1% assessment. The provider fee assessment terminates at the end of calendar 2028. According to MHBE, the assessment is estimated to generate \$159.7 million in calendar 2026.

State Expenditures: MHBE advises that it does not anticipate any additional operating costs or staffing needs to implement the program for calendar 2026 or 2027.

Assuming federal APTCs are *not* extended for calendar 2026 and 2027, MHBE special fund expenditures increase by an indeterminate but significant amount to provide State subsidies for calendar 2026 and 2027. The amount of such expenditures cannot be reliably estimated at this time and will depend on available funding and the specific eligibility parameters for the subsidy program established by MHBE.

Based on MHBE's [*Joint Chairmen's Report on Reinsurance Program Costs and Forecast*](#), it is unclear that sufficient funds are available to support SRP *and* provide State-based subsidies should federal APTCs expire. However, the bill specifies that, subject to available funds, MHBE must establish eligibility and payment parameters for the program that, among other things, take into consideration State funds needed to ensure SRP continues to provide market stability through calendar 2028.

MHBE advises that almost 190,000 Marylanders currently receive enhanced APTCs and would lose some or all of their financial assistance if the enhanced subsidies expire. *For illustrative purposes only*, a 2023 [report](#) projected that the cost for the State to *fully* replace ARPA-enhanced APTCs would be around \$150.0 million in calendar 2026. Thus, MHBE special fund expenditures increase by a significant but indeterminate amount (as much as \$75.0 million in fiscal 2026, \$150.0 million in fiscal 2027, and \$75.0 million in fiscal 2028) to provide State-based subsidies for calendar 2026 and 2027.

Should federal APTCs be extended for calendar 2026 and 2027, the bill terminates, and no additional expenditures are incurred by MHBE.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced in the last three years.

Designated Cross File: None.

Information Source(s): U.S. Congressional Research Service; Comptroller's Office; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

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