

**Department of Legislative Services**  
 Maryland General Assembly  
 2025 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 5

(Senator Lam, *et al.*)

Finance

Health and Government Operations

**Maryland Health Benefit Exchange – State–Based Young Adult Health  
 Insurance Subsidies Pilot Program – Sunset Repeal**

This bill renames the State-Based Young Adult Subsidies Pilot Program to be the State-Based Young Adult Health Insurance Subsidies Program and makes the program permanent by repealing the June 30, 2026 termination date. The Maryland Health Benefit Exchange (MHBE) is *authorized* rather than required to establish and implement the program. MHBE may not implement the program for calendar years in which funds from the distribution of a specified assessment are not available. For calendar 2026 and thereafter, MHBE, in consultation with the Insurance Commissioner, may designate funds from the MHBE Fund to provide annual subsidies to young adults who meet the program’s subsidy eligibility and payment parameters. **The bill takes effect July 1, 2025.**

**Fiscal Summary**

**State Effect:** To the extent MHBE continues the program as authorized, special fund expenditures for young adult subsidies continue, likely by \$26.0 million per calendar year through calendar 2028; specifically, \$13.0 million in FY 2026, \$26.0 million in FY 2027 and 2028, and \$13.0 million in FY 2029, as discussed below. The FY 2026 budget as passed by the General Assembly includes \$13.0 million in contingent funding for the program, as discussed below. Special fund revenues are not affected.

| (\$ in millions) | FY 2026  | FY 2027  | FY 2028  | FY 2029  | FY 2030 |
|------------------|----------|----------|----------|----------|---------|
| Revenues         | \$0      | \$0      | \$0      | \$0      | \$0     |
| SF Expenditure   | 13.0     | 26.0     | 26.0     | 13.0     | 0       |
| Net Effect       | (\$13.0) | (\$26.0) | (\$26.0) | (\$13.0) | \$0.0   |

*Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

### Current Law:

#### *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. Chapters 256 and 257 also required MHBE, in consultation with the Maryland Insurance Administration, to conduct a specified study. MHBE submitted a [Report on the Young Adult Subsidy Program](#) in December 2024. The report found that the pilot program increased young adult enrollment, reduced the uninsured rate among young adults, and improved the morbidity of the individual market risk pool. The report estimated that roughly half of the total young adult subsidy pilot program cost in 2022 was offset by a net increase in federal pass-through funding generated by the additional young adult enrollees brought into the market through the program. The report recommended that the pilot program be continued as a permanent program beyond calendar 2025, contingent on sufficient funding from the 1% State provider fee assessment.

Under the program, young adults ages 18 to 37 with incomes between 138% and 400% of the federal poverty level are eligible for State premium assistance subsidies. Subsidies are allocated to reduce the maximum expected premium contribution of individuals ages 18 to 33 by 2.5%. For individuals ages 34 to 37, the subsidy is progressively lower for each age, reducing the maximum expected contribution by 0.5% each year.

#### *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 the State Reinsurance Program (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. MHBE has drawn from these funds for purposes of the young adult subsidy pilot program. The provider fee assessment terminates at the end of calendar 2028.

**State Expenditures:** MHBE advises that SRP is stable with sufficient fund balance from prior years to support the withdrawal of funding necessary to maintain a permanent young adult subsidy program through calendar 2028 while maintaining the fund's solvency. Furthermore, \$9.0 million in carry over funds from the pilot program are estimated to be available. MHBE does not anticipate any additional operational costs or staffing needs to continue the program beyond calendar 2025.

MHBE reports that young adult subsidy expenditures are estimated at \$23.9 million for calendar 2024, with future year expenditures estimated at \$24.0 million to \$28.0 million per year. Thus, under the bill, MHBE special fund expenditures continue through at least calendar 2028 at an estimated \$26.0 million annually (the midpoint of estimated average annual expenditures). Specifically, special fund expenditures increase by \$13.0 million in fiscal 2026 (for subsidies for the first half of calendar 2026), \$26.0 million in fiscal 2027 (for subsidies for the second half of calendar 2026 and the first half of calendar 2027), \$26.0 million in fiscal 2028 (for subsidies for the second half of calendar 2027 and the first half of calendar 2028), and \$13.0 million in fiscal 2029 (for subsidies for the second half of calendar 2028).

The fiscal 2026 budget as passed by the General Assembly includes \$13.0 million in special funds from SRP to be used for the young adult subsidy program, contingent on legislation that extends the availability of subsidies in the program into calendar 2026. As the bill effectuates that appropriation, special fund expenditures increase by \$13.0 million in fiscal 2026 (as estimated above to cover subsidies for the first half of calendar 2026).

As the provider fee assessment ends after calendar 2028, this analysis does not assume that sufficient special funds from the assessment will continue to be available beyond that year. Even so, to the extent additional funding is available, special fund expenditures may continue for young adult subsidies beyond calendar 2028.

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### **Additional Information**

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

**Designated Cross File:** HB 297 (Delegate Kerr, *et al.*) - Health and Government Operations.

**Information Source(s):** Maryland Department of Health; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - January 28, 2025  
km/ljm Third Reader - February 21, 2025  
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