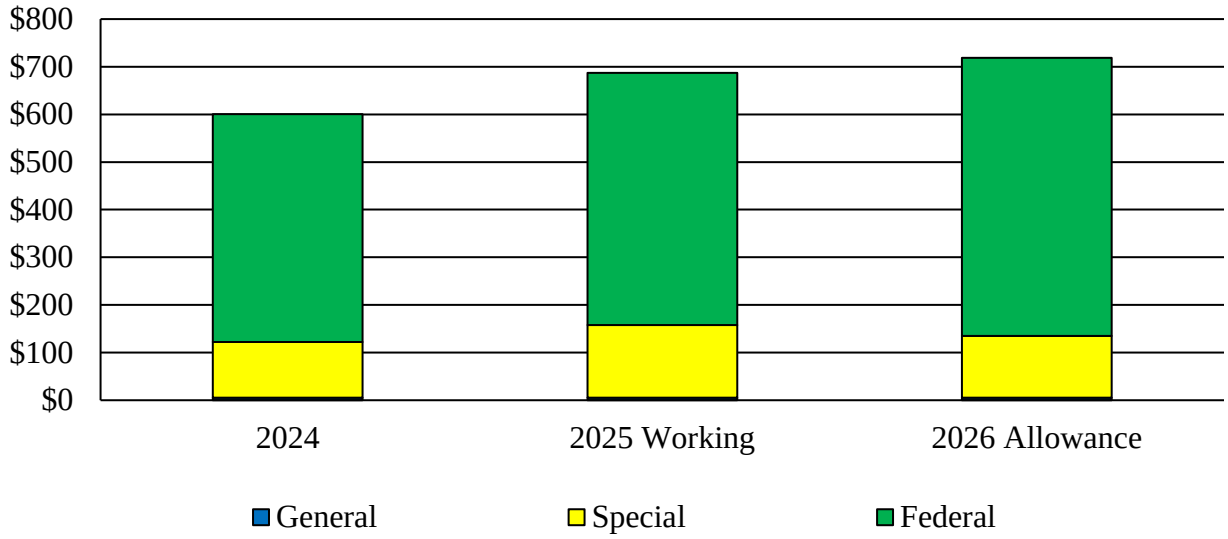
D78Y01
Maryland Health Benefit Exchange

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 subsides are only available to plans purchased on the exchange by eligible individuals.

Operating Budget Summary

Fiscal 2026 Budget Increases $31.6 Million, or 4.6%, to $718.7 Million
($ in Millions)



Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

For further information contact: Victoria Martinez victoria.martinez@mlis.state.md.us

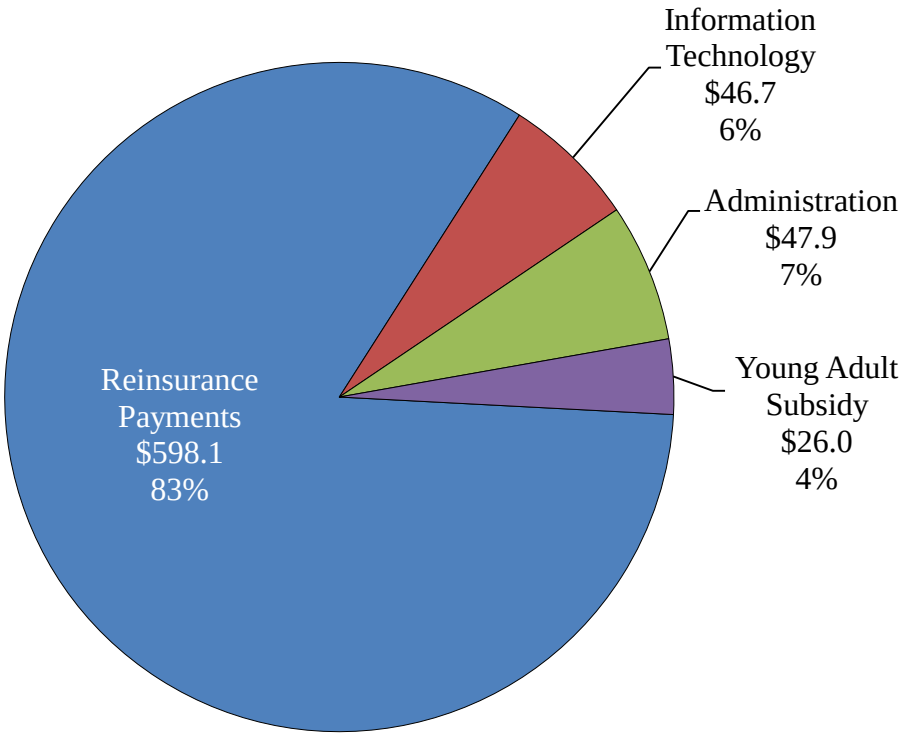
- The net increase of $30.2 million in the fiscal 2026 allowance for MHBE's reinsurance program is primarily driven by an increase of $53.8 million in federal pass-through dollars. Despite this increase, MHBE anticipates that reinsurance payments will exceed the amount available from the federal pass-through funds, necessitating the use of the State reinsurance fee for a third year to support the program. However, the special fund need is expected to decline by $23 million in fiscal 2026.

- The fiscal 2026 allowance includes $26 million for the young adult subsidy program, an increase of $792,189 from the fiscal 2025 working appropriation. The two-year pilot program was established by Chapters 777 and 778 of 2021 and was extended by Chapters 256 and 257 of 2023, from calendar 2023 to 2025. Chapter 247 and 248 of 2024 provided that for calendar 2024 and 2025, MHBE may designate up to $20 million, plus any unspent funds designated for such subsidies in a previous calendar year, to be used for the pilot program.

Fiscal 2026 Overview of Agency Spending

As shown in **Exhibit 1**, MHBE's fiscal 2026 allowance totals $718.7 million, of which 87% supports reinsurance payments and the young adult subsidy program. The young adult subsidy program receives $26 million from the State reinsurance fee. In addition to extending the program through calendar 2025, Chapters 256 and 257 extended the use of the provider assessment to support the program through fiscal 2026. Excluding the reinsurance payments, the rest of the agency spending includes 6% ($46.7 million) for information technology (IT), and 7% ($47.9 million) for Administration.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
($ in Thousands)

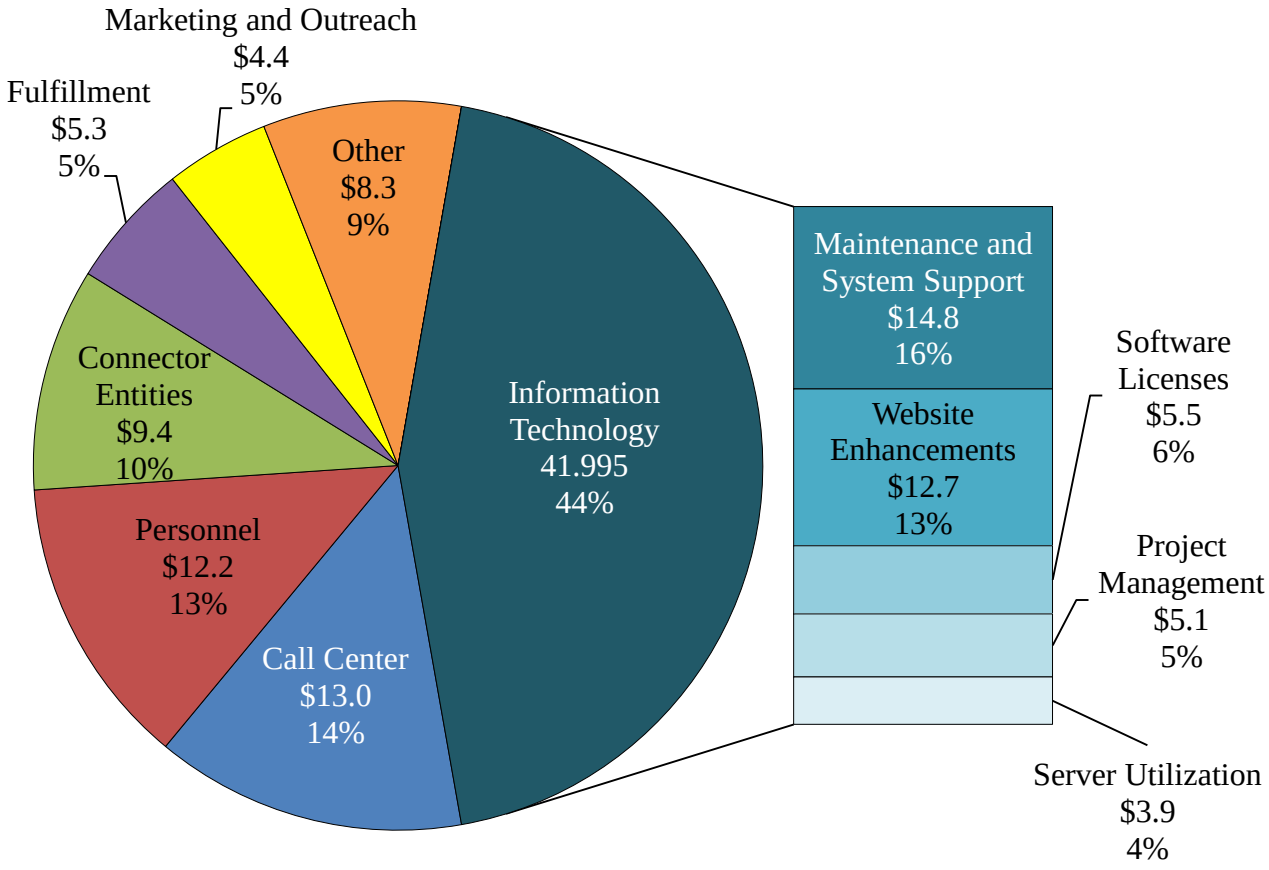


Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

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

Exhibit 2 shows the breakdown of the operating expenses of the agency. IT expenses include $14.8 million for maintenance and system support, $12.7 million for MHC enhancements, $5.5 million for software licenses, $5.1 million for project management, and $3.9 million for server utilization. Administrative expenses include $13.0 million for the call center to assist residents in enrolling in health insurance; $12.2 million for personnel; $9.4 million for connector entities, which are organizations that assist in enrolling customers in health insurance programs; $5.3 million for fulfillment to send required notices and correspondence to MHC consumers; and $4.4 million for marketing and outreach.

Exhibit 2
Agency Spending for Information Technology and Administration
Fiscal 2026 Allowance
($ in Millions)



Note: The fiscal 2026 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 Health Benefit Exchange

Proposed Budget Change

As shown in **Exhibit 3**, MHBE's fiscal 2026 allowance increases by a net of $31.6 million compared to the fiscal 2025 working appropriation. The primary area of increase in the fiscal 2026 allowance occurs in the reinsurance program with an increase of $30.1 million for reinsurance payments and $792,189 for the young adult subsidy program. Aside from the reinsurance program, there was a limited overall change of approximately $639,845.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2024 Actual	$5,668	$116,496	$478,169	$600,333
Fiscal 2025 Working Appropriation	5,645	152,257	529,258	687,160
Fiscal 2026 Allowance	5,480	129,375	583,890	718,745
Fiscal 2025-2026 Amount Change	-$165	-$22,882	$54,632	$31,585
Fiscal 2025-2026 Percent Change	-2.9%	-15.0%	10.3%	4.6%

Where It Goes:	Change
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2025 cost-of-living adjustment and increments	$1,064
Personnel costs associated with 6 new positions	536
Turnover decreases from 3.78% to 3.65%	14
Workers' compensation premium assessment	-1
Employee and retiree health insurance	-2
Reinsurance Program	
Reinsurance payments	30,153
Young adult subsidy	792
IT	
Enterprise software licenses used for the platform that hosts MHC and the MHBE increase due to growing software costs and procurement of several software hosted and procured by MD THINK	2,025
Project management office costs for IT independent contractors for the MHC website	149
Amazon Web Services IT independent contractors for maintenance and operations of the MHC website	30
Data processing equipment	-25
System support resource costs for IT independent contractors for the MHC website decrease due to implementing robotic process automation	-225
Maintenance and operations costs for IT independent contractors that assist in the MHC website decrease due to implementing robotic process automation	-225
Software costs on the MD THINK platform decreases due to MHBE taking over many software purchases	-875
Server utilization costs decrease due to migrating nine development and testing servers from the MD THINK platform to MHBE's Amazon Web Services platform	-880

Where It Goes:	**Change**
Decrease in cost of IT independent consultants that develop enhancements for the MHC website due to MHBE hiring 6 State staff at the supervisory level to eliminate overlapping roles	-1,054
Administration	
Administrative hearings	636
SHOP third-party administrators for collection and distribution of funds	496
Call center costs to assist enrollment in a health insurance product by telephone, related to the increase in Medicaid calls received	196
Contract with Hilltop Institute to complete various studies relating to healthcare	95
Marketing and outreach	48
SHOP fulfillment for small business	38
Rent	20
Association dues	10
Share of Attorney General for consumer protection division to resolve consumer complaints	-34
Fulfillment to send required notices and correspondence to MHC consumers decreases due to MDH covering additional fulfillment costs based on CMS mandate to mail notices at the individual level rather than the household level	-624
Connector entities	-650
Other changes	-121
Total	**$31,585**

CMS: Center for Medicare and Medicaid Services
IT: information technology
MDH: Maryland Department of Health
MD THINK: Maryland Total Human-services Integrated Network
MHBE: Maryland Health Benefit Exchange
MHC: Maryland Health Connection
SHOP: Small Business Health Options Program

Note: Numbers may not sum to total due to rounding. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Within the IT program, there were several decreases due to MHBE implementing changes to make processes more efficient. These changes include implementing robotic process automation that eliminated redundant and manual processes and MHBE reducing projected server utilization costs by migrating some functions from the Maryland Total Human-services Integrated Network (MD THINK) platform to MHBE's Amazon Web Services platform. The largest reduction is $1.1 million due to MHBE hiring State staff at the supervisory level across database, system administration, and deployment functions, resulting in a reduced need for staff procured through contracts by eliminating overlapping roles. These decreases in the IT program are partially offset by an increase of $2.0 million for enterprise software licenses due to MHBE assuming the

procurement of some software that is currently hosted and procured by MD THINK, in addition to annual increases in software costs.

The Administration program had several changes as well, including increases for third party administrators to administer premium collection and payment functionality through the Small Business health insurance platform, and for call center costs related to an increase in Medicaid calls received. The program also had decreases due to additional fulfillment for required notices to MHC consumers based on a Center for Medicare and Medicaid Services (CMS) requirement being covered by MDH through an established Memorandum of Understanding.

Personnel Data

	FY 24 Actual	FY 25 Working	FY 26 Allowance	FY 25-26 Change
Regular Positions	67.00	73.00	79.00	6.00
Contractual FTEs	0.00	0.00	0.00	0.00
Total Personnel	**67.00**	**73.00**	**79.00**	**6.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.66	3.65%
Positions and Percentage Vacant as of 12/31/24	1.00	1.37%
Vacancies Above/Below Turnover	1.66	

- MHBE received 6 new positions and associated funding in the fiscal 2026 allowance. The 6 new positions support consumer assistance and were brought in-house from MHBE's Consolidated Service Center contract to streamline the case escalation process and make the consumer experience more efficient. MHBE reports that these positions are funded within its existing fiscal 2025 appropriation using available resources as contractual full-time equivalents. **Considering the fiscal outlook and that MHBE was able to absorb these costs in fiscal 2025, the Department of Legislative Services (DLS) recommends reducing operating expenses within MHBE by $267,761 in general funds; anticipating savings are also available in fiscal 2026.**

- As of December 31, 2024, MHBE only had a vacancy rate of 3.65%, which, at 1 position, is 1.66 positions below the number that would be needed to meet the budgeted turnover expectancy in fiscal 2026.

Key Observations

1. Reinsurance Program and Forecasted Funding

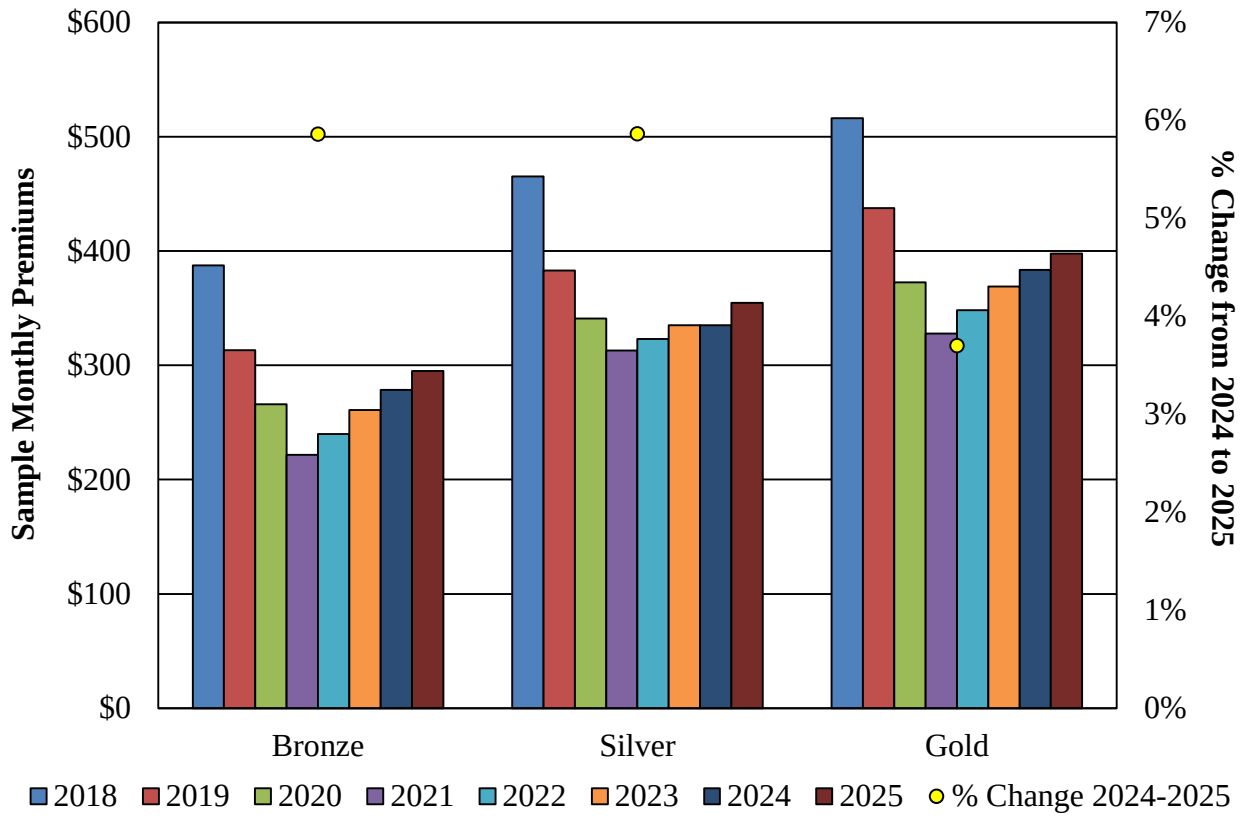
Reinsurance is insurance for carriers that protects against significant losses. Chapters 6 and 7 of 2018 established the State Reinsurance Program (SRP) to address rising health insurance premiums in Maryland. It required MHBE to apply for a State Innovation Waiver under Section 1332 of the ACA to seek federal pass-through funding to support the reinsurance program. The federal government approved the waiver in August 2018 and, in March 2023, approved an extension of the waiver for an effective period of January 1, 2024, through December 31, 2028.

Beginning in the 2019 plan year, the SRP provides reinsurance to carriers offering individual health benefit plans. Carriers that incurred a total annual claims cost 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 increased from $20,000 for plan year 2024 to $21,000 for plan year 2025. The attachment point is expected to increase by $1,000 each year thereafter due to anticipated increasing costs and decreasing federal fund availability.

Individual Market Rates for All Metal Plans Increase in Fifth 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 2018 through 2025 as calculated by MIA for various metal levels for an individual aged 40 in the Carefirst BlueChoice plans, the plan with the highest enrollment. The individual market rates continued to increase for plan year 2025 for Gold, Silver, and Bronze plans. The sample monthly premiums provided by MIA for the Bronze plan and the Silver plan both show an increase of 5.86%, while Gold plan shows a smaller increase of 3.70%. In comparison, Bronze and Gold plans increased by 6.74% and 3.95%, respectively, in plan year 2024, showing that premiums increased more in plan year 2024 than in 2025 for these plans. In contrast, premiums in the Silver plan increased more in plan year 2025 than in 2024, with a moderate increase in 2025 but no increase in 2024. Despite the recent increases from calendar 2021 to 2025, sample monthly premiums for all three plans remain significantly lower in calendar 2025 than in calendar 2018, prior to the program's implementation in calendar 2019. The sample monthly premiums for each metal level are between 23% and 24% lower in calendar 2025 than in calendar 2018.

Exhibit 4
Sample Monthly Premiums for a 40-year-old in a CareFirst BlueChoice Plan
Calendar 2018-2025

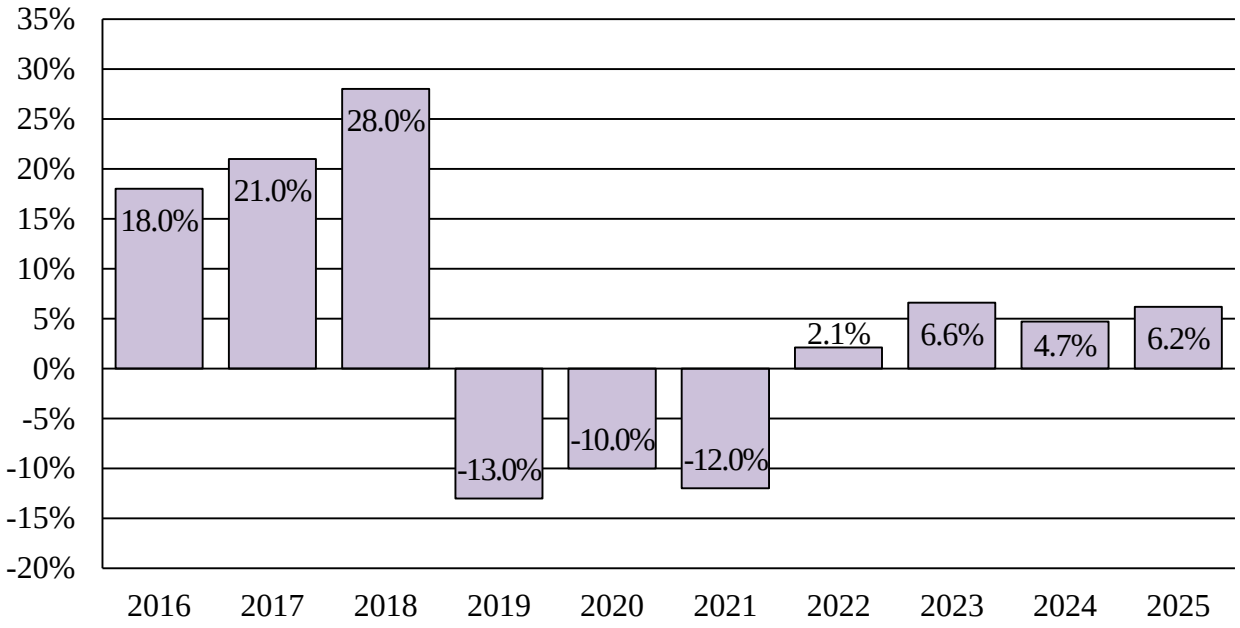


Note: Actual premiums will vary from sample rates based on carrier, plan, age, and other factors. These premiums represent samples of premiums without the Advanced Premium Tax Credit. The examples in this exhibit are for individuals living in the Baltimore Metro area (Anne Arundel, Baltimore, Harford,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

Source: Maryland Insurance Administration

Exhibit 5 shows the average individual market premium change across the 10-year period from calendar 2016 to 2025. Although premiums have been increasing since 2022, premiums have been increasing at lower rate and by a lower amount than prior to the implementation of the reinsurance program. Premiums were steadily increasing from 2016 to 2018, significantly decreased in 2019 when the reinsurance program was implemented, and have generally increased since 2022. For instance, the premiums increased by 28% from calendar 2017 to 2018, decreased by 13% from 2018 to 2019, and increased by 6.2% from 2024 to 2025.

Exhibit 5
Average Individual Market Premium Change
Calendar 2016-2025



Source: Maryland Health Benefit Exchange

Slightly Higher Than Anticipated Costs in Calendar 2023

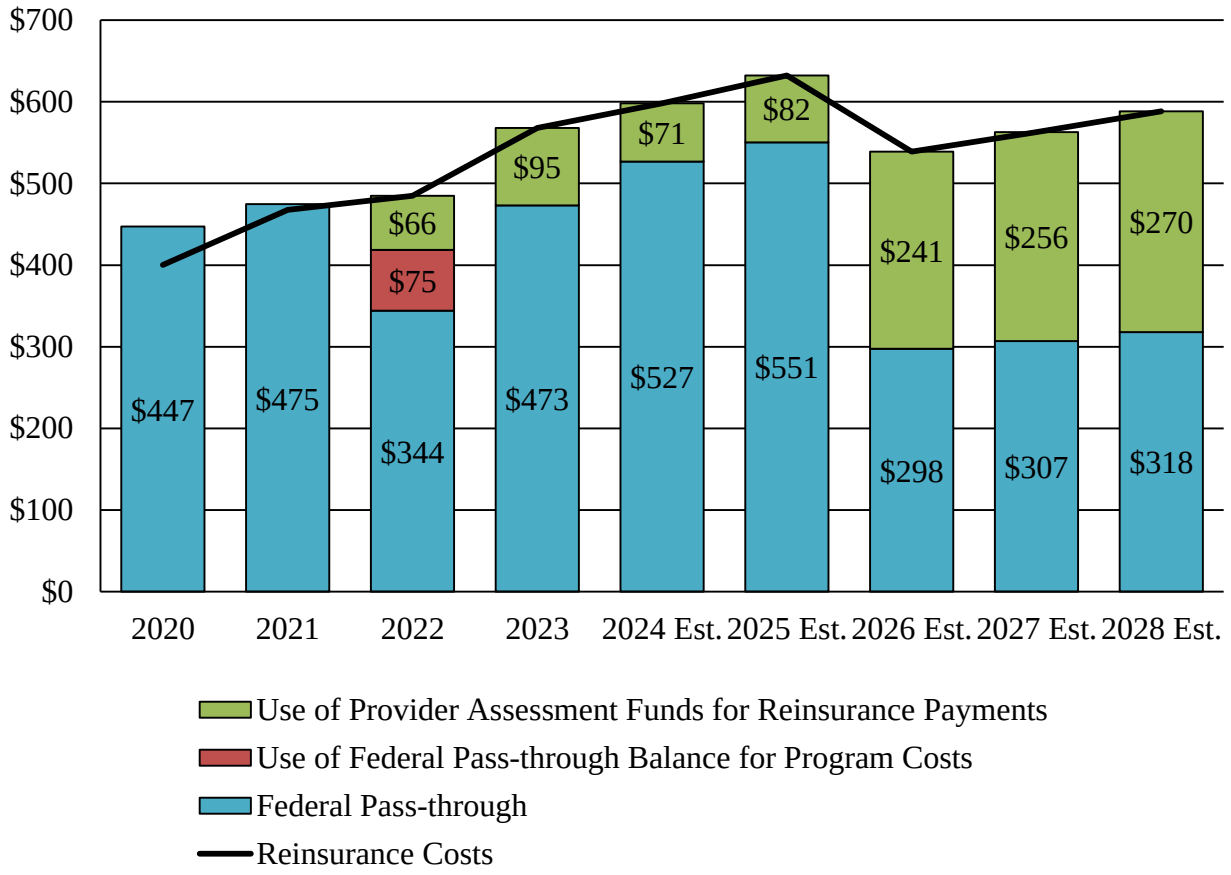
Committee narrative in the 2024 *Joint Chairmen's Report* (JCR) requested that MHBE submit a report on the funding and forecasted financial situation of the SRP. Actual payments to carriers in calendar 2023, which were finalized in July 2023 ($567.8 million) were higher than actuary estimates ($544.2 million) by 4.3%. The higher than anticipated costs are due to under projection of individuals entering the market after being disenrolled from Medicaid during the unwinding period. Total program costs for calendar 2023 (paid in fiscal 2025) demonstrate an increase of approximately $59.3 million over program costs in calendar 2022.

State Reinsurance Program Costs Continue to Exceed Federal Funding

Exhibit 6 shows the actual and estimated reinsurance costs and federal pass-through allotment from calendar 2020 through 2028. Reinsurance program costs increase from 2020 through the estimate for 2025 due to enrollment growth and medical trends. Reinsurance costs are expected to decrease in calendar 2026 due to fewer people qualifying for an advance premium tax credit (APTC). With the end of federal subsidies under the Inflation Reduction Act in

calendar 2025, APTC enrollment is anticipated to decline from 174,554 in calendar 2025 to 73,367 in calendar 2026.

Exhibit 6
Federal Pass-through Revenues Relative to Reinsurance Costs
Calendar 2020-2028 Est.
($ in Millions)



Note: Reinsurance costs represent an estimate from calendar 2024 through 2029. Federal pass-through payments are actual through calendar 2023 and estimates from calendar 2024 through 2029. Assumes enhanced subsidies provided under the Inflation Reduction Act expire after calendar 2025. Assumes reinsurance fee and waiver are extended beyond calendar 2028.

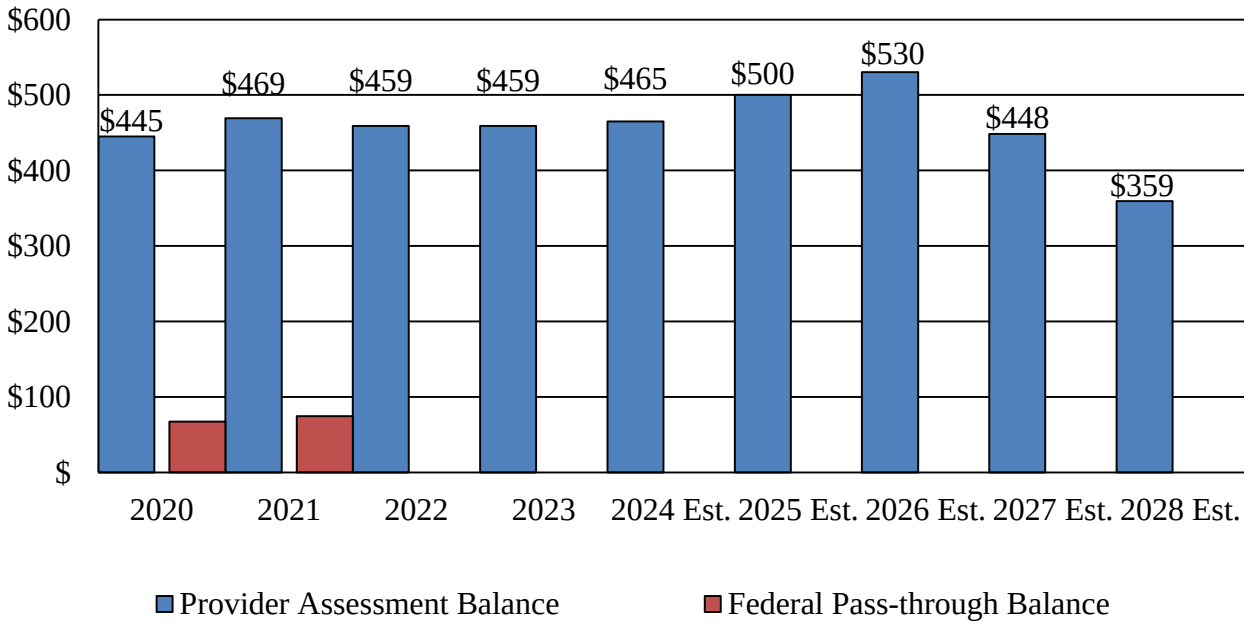
Source: Maryland Health Benefit Exchange; Department of Legislative Services

Program costs began to exceed federal funding in calendar 2022, requiring that MHBE utilize provider assessment funds for reinsurance payments. State reinsurance funds are expected to be needed to support costs through the forecast period. Although reinsurance costs were primarily funded with federal pass-through funds from calendar 2020 to 2025, the provider assessment funds provide for almost half of reinsurance costs beginning in calendar 2026.

Updated Forecasts Shows Sufficient Funding to Cover Anticipated State Reinsurance Program Costs

The use of provider assessment funds for reinsurance payments is expected to continue to increase through calendar 2028. As shown in **Exhibit 7,** the balance of funds from the State assessment is anticipated to be high enough to ensure program solvency through the end of the waiver period in 2028, which is also the current sunset of the reinsurance fee.

Exhibit 7
Closing Balance of Federal Pass-through Dollars and State Provider Fee Calendar 2020-2028 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. Assumes reinsurance fee and waiver are extended beyond current sunset dates in calendar 2028.

Source: Maryland Health Benefit Exchange; Department of Legislative Services

2. Young Adult Subsidy Program

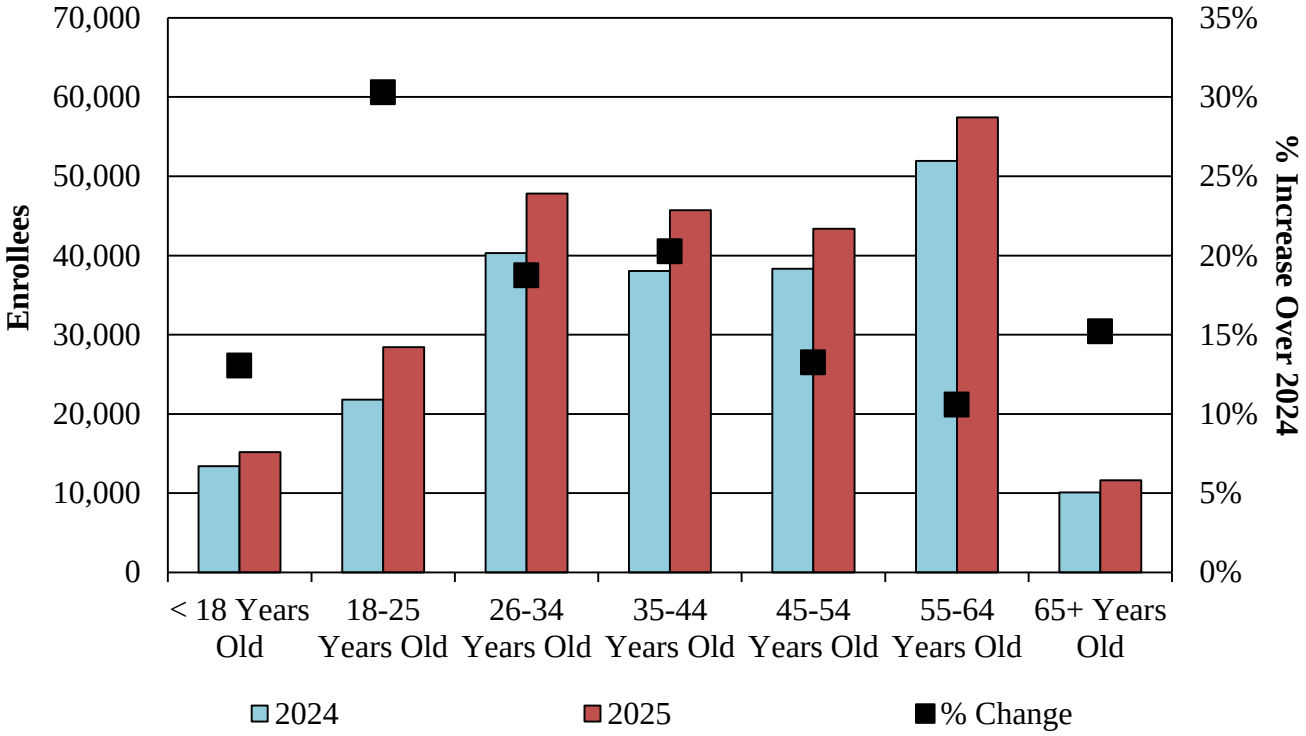
The fiscal 2026 allowance includes $26 million for the young adult subsidy program. Chapters 777 and 778 created the State-Based Young Adult Health Insurance Subsidies Pilot

Program for two years for calendar 2022 and 2023. Chapters 256 and 257 of 2023 extended the subsidies through calendar 2025 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. Chapter 247 and 248 of 2024 provided that for calendar 2024 and 2025, MHBE may also designate any unspent funds for such subsidies in a previous calendar year to be used for the pilot program. 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.

Chapters 256 and 257 also required MHBE, in consultation with MIA, 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.

As shown in **Exhibit 8**, MHBE experienced significant increases in all age group categories between the 2024 open enrollment period and the 2025 open enrollment period, with the biggest increases being 30.3% in the 18 through 25 age group and 20.2% in the 35 through 44 age group. All other age group categories showed increases ranging between 10.6% to 18.7%. For the young adult age group from age 18 through 34, there was a 21% increase from the 2024 to 2025 open enrollment period. This increase is likely due in part to the impact of the young adult health insurance subsidy program. However, overall increases in the last two years are also likely impacted by the unwinding of the enrollment freeze in Medicaid.

Exhibit 8
Enrollees in a Qualified Health Plan by Age
2024-2025 Open Enrollment Period



Source: Maryland Health Benefit Exchange

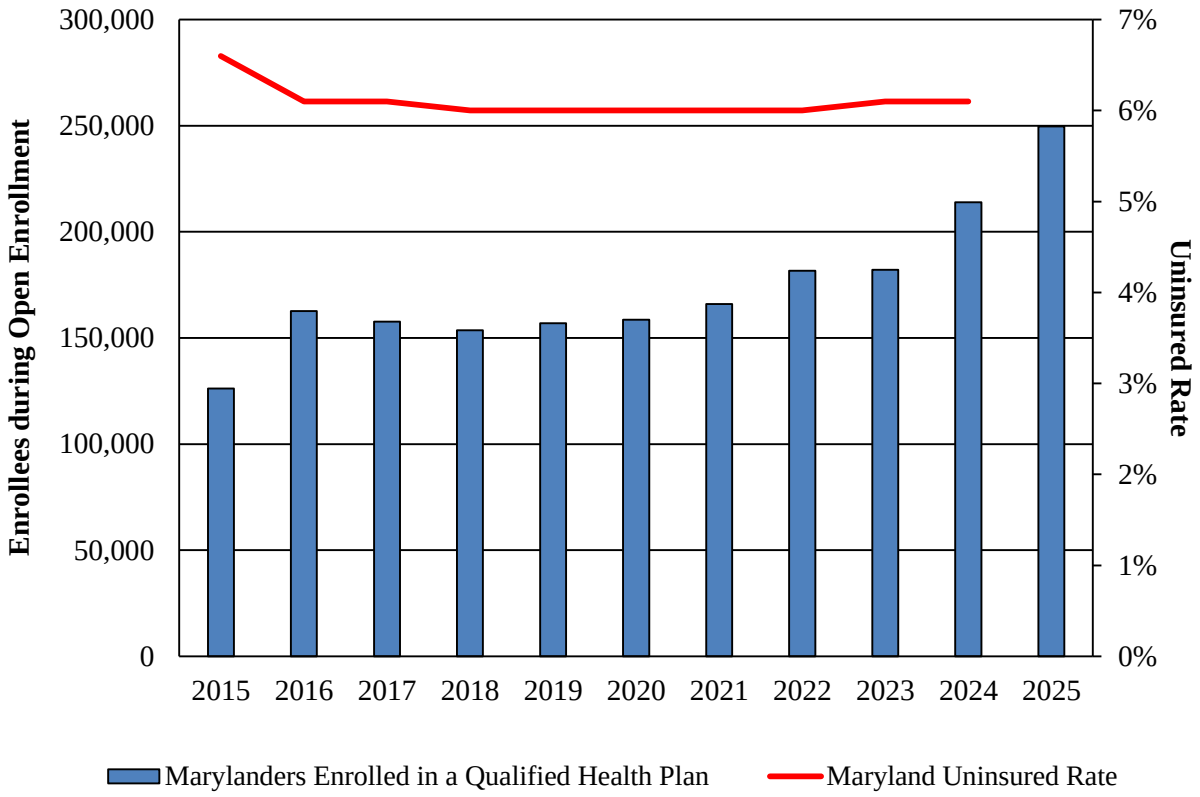
Although the fiscal 2026 allowance includes $26 million for the young adult subsidy program for spending for the full fiscal year, subsidies under the program are only authorized through calendar 2025, and the pilot program is set to terminate on June 30, 2026. **Considering that the subsidies through the program are only authorized through calendar 2025 and for only half of the fiscal year, DLS recommends adding language that makes $13 million of the funding for the program contingent on language that extends the availability of subsidies into calendar 2026.**

3. Marketplace Enrollment and State Uninsured Rate

As shown in **Exhibit 9**, enrollment in a QHP continues to increase in plan year 2025, with total enrollment of 249,603, an increase of 35,708, or 16.7% since calendar 2024. Enrollment in a QHP has shown year-over-year growth since calendar 2018, marking the seventh consecutive year of enrollment growth. 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 2025, Wellpoint Maryland has joined the individual market, increasing the total number of participating carriers. Wellpoint Maryland offers plans statewide, giving individual market enrollees more carriers from which to choose.

Exhibit 9
Maryland Health Connection Enrollment
Calendar 2015-2025



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

Deferred Action for Childhood Arrivals Recipients Eligible to Enroll in a Qualified Health Plan

CMS published a final rule in May 2024 that changes the definition of "lawfully present" to allow Deferred Action for Childhood Arrivals (DACA) recipients who meet all other eligibility

requirements to be eligible for enrollment in a QHP through the health insurance marketplace, effective November 1, 2024. Beginning in the 2025 enrollment period, DACA recipients in Maryland were eligible to enroll in a QHP through the State's health insurance marketplace administered by MHBE, MHC. MHBE reported that 249 DACA recipients enrolled in a State health insurance plan for the 2025 plan year.

4. Legislative Audit Findings

In January 2025, the Office of Legislative Audits (OLA) released a fiscal compliance audit report of MHBE for the period beginning March 9, 2020, and ending June 30, 2023. The audit disclosed eight findings, of which two related to cybersecurity and have been redacted from the report and one is related to procurement, which is summarized in **Appendix 1**. Two findings were repeat findings from the previous audit report dated May 6, 2021. OLA identified the following four findings highlighting challenges with Medicaid eligibility determinations and one finding relating to the MHBE Fund (finding 5).

- ***Finding 1 – Supporting Documentation:*** MHBE did not request supporting documentation from applicants who reported having $0 income when State wage records reflected the applicant had income that exceeded the Medicaid income qualification threshold.

- ***Finding 2 – Income Data:*** MHBE did not ensure that it used the most current income data in its verification process, resulting in inaccurate enrollment determinations for Medicaid applicants.

- ***Finding 3 – Income Verification (Repeat Finding):*** MHBE continues to rely solely on State wage records to verify income of certain applicants even though this excluded many types of applicant income.

- ***Finding 4 – Applicant Eligibility Review (Repeat Finding):*** MHBE did not always ensure that manual overrides of applicant eligibility were independently reviewed and approved.

- ***Finding 5 – Insurance Provider Fees:*** MHBE did not adequately pursue the collection of $649 million in insurance provider fees collected by MIA that should have been transferred to the MHBE Fund.

The audit provided 10 recommendations regarding the five findings relating to Medicaid eligibility and the MHBE fund. The audit recommendations and MHBE responses are summarized in **Exhibit 10**. Of these 10 recommendations, MHBE agreed with 6 recommendations and reports having completed corrective action for 2 recommendations. MBHE reported disagreeing with the remaining 4 recommendations. **MHBE should provide an update on any additional corrective action taken since the audit was published in January 2025 and how it works with MDH to ensure that it is following MDH policies and federal regulations regarding eligibility determinations.**

Exhibit 10
Audit Recommendations and Maryland Health Benefit Exchange Response

	Audit Recommendations	MHBE Response
1a.	Modify supporting documentation requirement for applicants who reported zero income when BEACON reported income that exceeded Medicaid Eligibility threshold.	Disagree. MHBE reported that documentation is not required, and the current policy conforms with MDH policy and all applicable federal regulations.
1b.	Investigate all instances when applicant's affidavits conflict with BEACON data.	
1c.	Refer instances of potential fraud, waste, and abuse, to OIG.	Agree. Corrective action is ongoing.
2a.	Establish procedures to ensure most recent income data is used to verify reported income.	Agree. Corrective action completion estimated by February 25, 2025.
2b.	Identify all instances where non-current income data was used and take corrective action for any applicants who were not eligible.	Disagree. MHBE reported that it is correcting the system error which caused the non-current data to be used and contends that the annual redetermination process will efficiently address this issue.
3.	MHBE should collaborate with MCPA to conduct a study of using FTI data, in addition to BEACON, to assess significance and usefulness of formally incorporating that data into verification process.	Disagree. MHBE is conducting income verification according to MDH policy that meets federal requirements. Conducting this study on using FTI data would be costly and create an administrative burden for MHBE and MDH.
4a.	Ensure all applicant eligibility overrides are independently reviewed and approved.	Agree. Corrective action completion estimated June 30, 2025.
4b.	Develop and implement procedures to review and approve all eligibility overrides performed by MDH and DHS employees.	Agree. Corrective action completed as of December 31, 2024.
4c.	Take appropriate corrective action for any improper overrides.	Agree. Corrective action completed as of December 31, 2024.
5.	Follow-up with MIA to ensure the timely transfer of fees collected on its behalf	Agree. Corrective action completion estimated June 30, 2025.

DHS: Department of Human Services
FTI: Federal Tax Information
MCPA: Medical Care Programs Administration
MDH: Maryland Department of Health
MHBE: Maryland Health Benefit Exchange
MIA: Maryland Insurance Administration
OIG: Office of Inspector General for Health

Note: BEACON is the Maryland Department of Labor's Division of Unemployment Insurance information system.

Source: Office of Legislative Audits; Department of Legislative Services

Operating Budget Recommended Actions

		Amount Change	
1.	Reduce funding for general operating expenses. In fiscal 2026, the Maryland Health Benefit Exchange has new positions, which the agency indicates were funded as contractual full-time equivalents in fiscal 2025 within existing resources. As these personnel costs are budgeted with new positions, it is assumed the budgeted expenses from which savings previously were dedicated toward this purpose are not needed.	-$ 267,761	GF

2. 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, 2025

3. Add the following language to the special fund appropriation:

, provided that $13 million of this appropriation made for the purpose of the Young Adult Subsidy program is contingent upon the enactment of legislation that extends the availability of subsidies in the Young Adult Subsidy program into calendar 2026.

Explanation: The fiscal 2026 allowance for the Maryland Health Benefit Exchange includes $26 million for the young adult subsidy program. However, the young adult subsidy program will be terminated on June 30, 2026, with subsidies available only through calendar 2025, unless legislation is enacted extending or removing the termination date of the program. This language makes the appropriation for the young adult subsidy for the second half of the fiscal year contingent on legislation that extends the availability of subsidies under the program into calendar 2026.

Total General Fund Net Change **-$ 267,761**

Updates

- ***Qualified Resident Enrollment Program:*** Chapter 384 of 2023 required MHBE and MDH to develop a report comparing options for offering affordable health and dental coverage to State residents ineligible for existing affordable coverage options due to immigration status. The report, submitted in December 2023, notes that there are approximately 112,400 undocumented and uninsured individuals in Maryland who are ineligible for Medicaid and QHPs due to immigration status.

  On December 9, 2022, the U.S. Department of Health and Human Services and the U.S. Department of the Treasury approved Washington's application for a State Innovation Waiver. Washington requested a waiver to expand access to QHPs, stand-alone qualified dental plans, and a state affordability program (Cascade Care Savings) to Washington residents regardless of immigration status.

  Chapter 841 and 842 of 2024 required that MHBE submit a federal State Innovation Waiver application to establish a Qualified Resident Enrollment Program. The waiver would allow qualified residents, regardless of immigration status, to purchase a private health insurance plan through the state-based health insurance exchange, MHC. On July 15, 2024, MHBE submitted the waiver amendment. On January 15, 2025, MHBE received approval on the waiver amendment from CMS, and MHBE responded to CMS to accept the updated Standard Terms and Conditions for the waiver amendment.

Appendix 1
2024 *Joint Chairmen's Report* Responses from Agency

The 2024 JCR requested that MHBE prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Reinsurance Program Costs and Forecast:*** Actual program costs were higher than actuary estimates in payments to carriers. Additional discussion of this item can be found in Key Observation 1.

Appendix 2
Audit Findings

Audit Period for Last Audit:	March 9, 2020 – June 30, 2023
Issue Date:	January 2025
Number of Findings:	8
Number of Repeat Findings:	2
% of Repeat Findings:	25%
Rating: (if applicable)	

Finding 1: MHBE did not request supporting documentation from applicants who reported having $0 income when State wage records reflected that the applicant had income that exceeded the Medicaid income qualification threshold.

Finding 2: MHBE did not ensure that it used the most current income data in its verification process, resulting in inaccurate enrollment determinations for Medicaid applicants.

Finding 3: **MHBE continues to rely solely on State wage records to verify income of certain applicants even though this excluded many types of applicant income.**

Finding 4: **MHBE did not always ensure that manual overrides of applicant eligibility were independently reviewed and approved.**

Finding 5: MHBE did not adequately pursue the collection of $649 million in insurance provider fees collected by MIA that should have been transferred to the MHBE Fund.

Finding 6: MHBE did not always publish contract awards and document 20 bid proposal openings.

Finding 7: Redacted cybersecurity-related finding

Finding 8: Redacted cybersecurity-related finding

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Object/Fund Difference Report
Maryland Health Benefit Exchange

Object/Fund	FY 24 Actual	FY 25 Working Appropriation	FY 26 Allowance	FY 25 - FY 26 Amount Change	Percent Change
Positions					
01 Regular	67.00	73.00	79.00	6.00	8.2%
Total Positions	**67.00**	**73.00**	**79.00**	**6.00**	**8.2%**
Objects					
01 Salaries and Wages	$ 10,784,271	$ 10,607,646	$ 12,219,500	$ 1,611,854	15.2%
03 Communication	43,313	42,286	42,286	0	0%
04 Travel	35,102	40,000	40,000	0	0%
08 Contractual Services	579,154,970	665,013,884	695,631,542	30,617,658	4.6%
09 Supplies and Materials	13,963	6,500	6,500	0	0%
10 Equipment – Replacement	91,174	0	0	0	0.0%
11 Equipment – Additional	27,200	475,000	450,000	-25,000	-5.3%
12 Grants, Subsidies, and Contributions	9,215,985	10,000,000	9,350,000	-650,000	-6.5%
13 Fixed Charges	966,634	974,909	1,005,391	30,482	3.1%
Total Objects	**$ 600,332,612**	**$ 687,160,225**	**$ 718,745,219**	**$ 31,584,994**	**4.6%**
Funds					
01 General Fund	$ 5,668,276	$ 5,644,732	$ 5,479,878	-$ 164,854	-2.9%
03 Special Fund	116,495,664	152,257,176	129,374,871	-22,882,305	-15.0%
05 Federal Fund	478,168,672	529,258,317	583,890,470	54,632,153	10.3%
Total Funds	**$ 600,332,612**	**$ 687,160,225**	**$ 718,745,219**	**$ 31,584,994**	**4.6%**

Note: The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management. .