

STATE OF MARYLAND



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MARYLAND HEALTH CARE COMMISSION

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February 19, 2020

The Honorable Shane E. Pendergrass
Chair, Health Government and Operations Committee
Room 241 House Office Building
Annapolis, MD 21401-1991

RE: House Bill 196 – Maryland Health Benefit Exchange - Establishment of a State-Based Health Insurance Subsidies Program - SUPPORT

Dear Chair Pendergrass:

The Maryland Health Care Commission (the “Commission”) submits this letter of support on House Bill 196 (HB 196). HB 196 requires the Maryland Health Benefit Exchange (MHBE), in consultation with the Insurance Commissioner, to establish and implement a State-based Health Insurance Subsidies Program. This legislation directs the MHBE to use a portion of the health insurance provider fee assessment to establish the new program (the health insurance provider fee assessment already exists in Maryland law). HB 196 authorizes MHBE to apply for an additional Federal Section 1332 waiver, if necessary to implement the subsidy program.

Affordability is still the major issue for many of the 400,000 Marylanders that lack insurance coverage. Existing subsidies in the ACA may not go far enough, especially in States with high costs of living like Maryland, where higher food and housing costs strain family budgets. The Federal Advance Premium Tax Credits (APTC) and Federal Cost Sharing Reductions (CSR) in the ACA were designed to make private insurance more affordable for low and moderate-income families. The CSRs are available to families with income below 250% of the federal poverty line and APTC applies to families below 400% of FPL.

Maryland has taken several important steps to further support access to affordable insurance, including the implementation of the State Reinsurance Program (SRP) and the Easy Enrollment Program. The SRP has led to a 23 percent reduction in insurance premiums in the individual market relative to what premiums would have without the SRP. These reductions have stabilized enrollments in individual market (both for plans sold through the Exchange and Off-Exchange). At a time when uninsured rates are increasing across the United States, Maryland’s uninsured rates have declined and may fall further in 2020. The SRP has been less costly to Maryland in 2019 and 2020 than originally forecast because the

Note: The Maryland Health Care Commission is an independent State agency, and the position of the Commission may differ from the position of the Maryland Department of Health.

actual federal pass-through funds were greater than originally estimated. In 2019, federal pass-through funds were estimated to total \$370 million, but actual federal pass-through funds were \$373 million. In 2020, the estimated federal pass-through was \$324 million, but actuals were \$427 million. Greater than expected federal contributions mean that Maryland will have to commit less of its own fund to the SRP, allowing Maryland to use some of the health insurance provider fee assessment revenue to support new programs designed to increase consumer uptake of health insurance. The initial impact of the Easy Enrollment Program, which was approved by the General Assembly in 2019, will not be seen until later this year.

HB 196 allows MHBE to consider additional options to further support and stabilize the individual insurance market and reduce the number of uninsured individuals in Maryland. One option is using state funds (through the health insurance provider fee assessment) to provided an expanded APTC or/or CSR to families with incomes between 400% and 600% of FPL. Several States are considering this option. A second option is a subsidy aimed at young adults (under 34 years of age), who are less likely to enroll in insurance coverage than middle aged or older adults. In addition to reducing the number of uninsured, increasing participation rates among the young adults would improve the risk pool in the individual market, reducing rates for individual insurance coverage for all consumers.

The timeline in HB 196 is tight: by September 1, 2020, MHBE must determine whether establishment of the program requires a 1332 Waiver and begin the application process. By January 1, 2021, MHBE must adopt regulations implementing the program. This timeline is ambitious and presumes quick federal action on Maryland's request for a 1332 waiver for this program, if MHBE determine such a waiver is required. The MHBE advisory committees already started work developing options for the subsidy program proposed in HB 196, as discussed above. This preliminary work will help MHBE meet the timeline in HB 196. The Commission yields to MHBE on whether additional time may be needed to implement this program.

The Commission recommends a favorable report of House Bill 196. The Commission welcomes the opportunity our health insurance expertise to the MHBE as MHBE continues to develop this subsidy program. Please feel free to contact me at (410) 764-3566 or ben.steffen@maryland.gov, or Megan Renfrew, Government Affairs and Special Projects, at (410) 764-3483 or megan.renfrew@maryland.gov if you have any questions.

Sincerely,



Ben Steffen
Executive Director