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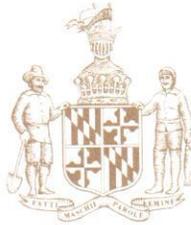
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House Bill 196 - Maryland Health Benefit Exchange – Establishment of a State-Based Health Insurance Subsidies Program

SPONSOR TESTIMONY: Delegate Joseline Peña-Melnyk (SUPPORT)

Thank you, Chairman Pendergrass and members of the House Health and Government Operations Committee, for this opportunity to present to you House Bill (HB) 196. This bill requires the Maryland Health Benefit Exchange (MHBE) to establish and implement a State-based subsidies program enabling certain individuals to reduce the premiums they pay for health insurance acquired through the Individual Health Insurance Marketplace.

The MHBE has taken several measures to provide relief to individuals by lowering their health insurance premiums, most notably by establishing the Affordability Work Group to make recommendations to the Board of Trustees on appropriate policy solutions. Among their findings was that a large percentage, approximately one half, of the remaining uninsured population are in the 18 to 34 age range. This age group is particularly sensitive to price and at the same time not as averse to risk as older populations, and as a result they are less likely to enroll in the Marketplace. Inasmuch as they, on average, cost insurers less, it is to the benefit of the Individual Marketplace to bring as many of them as possible into the risk pool. One way to achieve this is to use subsidies to lower their premiums to a price point attractive to them. By bringing these lower risk individuals into the Marketplace, MHBE would be able to lower premiums for higher risk older populations. Increased enrollment and lower premiums would further the goal of stabilizing the Individual Marketplace. HB196 does not prescribe specific subsidies. Rather, it tasks MHBE to study the potential benefits of subsidies and establish the framework of a subsidies program, and if appropriate to implement their recommendations.

MHBE established the State Reinsurance Program in 2018, in the process lowering premiums by 22% and the rate of uninsured to an historically low 6%, however there remains a need for lower premiums, and there are still approximately 400,000 uninsured in Maryland. An evaluation performed by Lewis and Ellis Actuaries and Consultants modeled the effects of a subsidies program for the 18 to 34 population and predicted an increase in enrollment of between 7,000 and 14,700 by 2023, and a decrease in the State-wide average premium of one to two percent. However, the premiums for the target age groups would be reduced by 60%. The Lewis and Ellis report analyzed three specific subsidies, two that would subsidize individuals and a third that would subsidize small employers, those with fewer than 15 employees. Either or both of the first two would serve to stabilize the Individual Market, as I have previously noted. The third subsidy would shift enrollment from the Individual Market to the Small Group Market. This subsidy could be targeted toward small groups which had previously not offered coverage to their employees. The cost of subsidies would depend upon the specific policies chosen and implemented.

The Lewis and Ellis report is lengthy, 29 pages, and is not yet finalized, but contains much more information than I can present today. I encourage you to review it for further details on how subsidies can help stabilize the individual and small group markets.

California has passed a subsidy bill extending their subsidies to 600% of the Federal Poverty Level (FPL), higher than the 400% FPL threshold of the Federal Premium Tax Credit. In Vermont, premium subsidies and cost-sharing reductions are funded by the State. The ConnectorCare program in Massachusetts provides subsidies to those with incomes up to 300% of the FP, augmenting the Federal subsidies available to those individuals. In part because of this, Massachusetts has the lowest uninsured rate in the country at 2.8%. Subsidies have worked in other states and would work in Maryland.

In the volatile health insurance marketplace, it is important that Maryland pursues every option to make health insurance accessible and affordable for our citizens and small employers. Please make this possible with a favorable report on House Bill 196.