MARYLAND HEALTH BENEFIT EXCHANGE

750 E. Pratt St., 6th floor
Baltimore, MD 21202
marylandhbe.com

February 27, 2025

The Honorable Joseline A. Peña-Melnyk
Chair, House Health and Government Operations Committee
241 Taylor House Office Building
6 Bladen St.
Annapolis, MD 21401

**Re: Letter of Support – HB 1082 – Health Insurance - Individual Market Stabilization - Establishment of the State-Based Health Insurance Subsidies Program**

Dear Chair Peña-Melnyk and Members of the House Health and Government Operations Committee,

The Maryland Health Benefit Exchange (MHBE) respectfully submits this letter of support for House Bill (HB) 1082 – Health Insurance - Individual Market Stabilization - Establishment of the State-Based Health Insurance Subsidies Program. HB 1082 would temporarily authorize the use of state funds from the 1% health insurance provider assessment collected under the Reinsurance fund, for the Maryland Health Benefit Exchange (MHBE) in consultation with the Maryland Insurance Administration (MIA) to establish and operate a broader state-based individual market health insurance subsidies program in calendar year 2026 in order to mitigate the impact of the expiration of enhanced federal marketplace tax credits in the individual market. Establishing a state-based program as proposed under this bill is contingent on the enhanced tax credits expiring at the end of 2025 or being significantly reduced in generosity.

MHBE is Maryland's state-designated health insurance marketplace, established in 2011 in accordance with the Federal Patient Protection and Affordable Care Act (ACA) to improve the health and well-being of Marylanders by connecting them with high-quality, affordable health coverage. Those who do not have access to affordable employer-sponsored insurance (ESI) or government-sponsored insurance can get coverage through Maryland Health Connection (MHC), and most consumers are eligible for financial assistance in the form of Advance Premium Tax Credits (APTCs) to reduce monthly premiums. Around 80% of MHC private plan enrollees are enrolled with financial help.

In 2021 the American Rescue Plan Act (ARPA) made health insurance more affordable and accessible for Marylanders by temporarily increasing the generosity of APTC, which has driven MHC enrollment to a historic high of 247,000 as of the end of 2025 Open Enrollment. ARPA both increased premium assistance for individuals under 400% of the federal poverty level (FPL), and also eliminated the 400% FPL cliff at which middle-income Americans had no longer qualified for financial assistance prior to ARPA.[1] The enhanced tax credits were extended under the Inflation Reduction Act through the end of 2025 and, without federal action, are currently set to expire at the end of December 2025.

[1] Kaiser Family Foundation: Inflation Reduction Act Health Insurance Subsidies: What is Their Impact and What Would Happen if They Expire? (July 2024).

MARYLAND HEALTH BENEFIT EXCHANGE

750 E. Pratt St., 6th floor
Baltimore, MD 21202
marylandhbe.com

*Table 1: Expected contribution percentages under American Rescue Plan Act (ARPA) compared to original Affordable Care Act (ACA) parameters:*

| Household Income (% of FPL) | Individual Contribution to Premium (as a % of income) | |
|---|---|---|
| | Original ACA* | Expanded PTC |
| Up to 133% | 1.82% | **0%** |
| 133% - 150% | 2.73% - 3.64% | **0%** |
| 150% - 200% | 3.64% - 5.73% | **0% - 2.0%** |
| 200% - 250% | 5.73% - 7.33% | **2.0% - 4.0%** |
| 250% - 300% | 7.33% - 8.65% | **4.0% - 6.0%** |
| 300% - 400% | 8.65% | **6.0% – 8.5%** |
| Above 400% | Credit not available | **8.5%** |

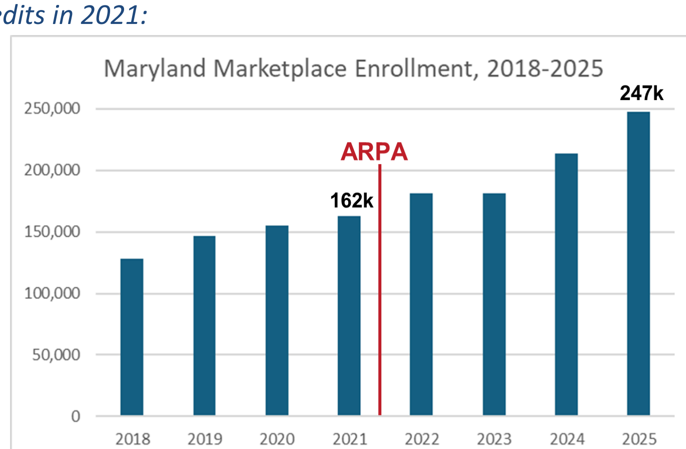
*Under the ACA's original premium subsidy structure, contribution requirements are adjusted annually to reflect premium growth relative to income. By contrast, the ARPA/IRA expansion of the PTC established fixed contribution requirements that do not change, year-to-year. The contribution requirements shown in the "Original ACA" column are those that would have applied in 2025, but for the ARPA/IRA expansion.

In 2024 tax credit-eligible MHC consumers paid an average of **$101/month** for coverage, and almost **190,000** MHC enrollees are currently receiving and benefitting from lower premiums due to the enhanced tax credit.

The impact of enhanced tax credits on MHC enrollment and affordability:

- **Record enrollment year after year** - enrollment through MHC is at an all-time high of 247,000, *an increase of 52%* compared to pre-ARPA enrollment in 2021.
- **Significant gains in health equity** - enrollment of Black residents grew by 23% year over year, and enrollment of Hispanic residents by 25% (compared to overall year over year enrollment increase of 16% in 2025).
- **Safety net for Medicaid recipients** - enrollment for individuals with incomes between 138-150% of the Federal Poverty Level is up 44% year over year.
- **Increased purchasing power** - Lower premiums have increased consumer purchasing power, enabling more Marylanders to buy higher value plans with lower out-of-pocket costs. In 2021 prior to ARPA, **40%** of consumers were enrolled in gold plans, compared to 2025 when **46%** of consumers are now enrolled in gold plans.

*Table 2: Maryland Health Connection enrollment growth 2018-2025, relative to the introduction of ARPA-enhanced tax credits in 2021:*



MARYLAND HEALTH BENEFIT EXCHANGE

750 E. Pratt St., 6th floor
Baltimore, MD 21202
marylandhbe.com

The expiration of enhanced tax credits will lead to major affordability challenges for tens of thousands of Marylanders, and challenges for the individual market:

- Almost **190,000 Marylanders** would lose some or all of their financial support
- Premiums are estimated to increase by **68%** for tax credit-eligible consumers in 2026, with average premium spending increases of **over $820** per enrollee per year [2]
- Significant decline in enrollment gains over the last few years in the individual market particularly among younger and healthier consumers, and an increase in the uninsured rate as a result - estimated enrollment decrease **as high as 32%** [3]
    - Increased uncompensated care and consumer debt, leading to increased spending on charity care and financial instability for individuals and families

As drafted, HB 1082 provides flexibility in establishing specific eligibility parameters for a state subsidy program including whether to fully or partially replace the lost enhanced tax credits, provided that the program is designed to maintain affordability for Marketplace consumers, and target individuals who experience a reduction in tax credit eligibility in 2026. A 2023 report submitted to the legislature by the MIA in consultation with MHBE on the impact of the State Reinsurance Program (SRP) also provided considerations for state action to minimize the premium shock to consumers in the event that enhanced tax credits expire after 2025. This report projected that the cost for the state to fully replace the lost ARPA-enhanced tax credits would be around $150 million in 2026.[4] The most recent SRP program and funding forecast projected that the state's 1% provider assessment is estimated to collect around $160 million in 2026.[5]

MHBE is supportive of the state taking proactive measures by providing the authority to establish a broader state-funded subsidies program to address the impending affordability challenges facing the individual market. However, we note the importance of preserving State Reinsurance Program (SRP) funds for the purpose of funding the SRP. Based on current financial projections, the SRP has funding sufficient to provide this one-year market stabilization and remain solvent through the current 1332 waiver period ending in 2028. MHBE carefully monitors the solvency of the SRP and updates fiscal projections at least annually. If future conditions change, the General Assembly may need to take action in a future legislative session to ensure the SRP fund's solvency.

For further discussions or questions on HB 1082, please contact Johanna Fabian-Marks, Director of Policy and Plan Management at johanna.fabian-marks@maryland.gov.

Sincerely,

Michele Eberle

Michele Eberle
Executive Director

---

[2] MHBE analysis of September 2024 enrollment data.

[3] 2024 Joint Chairmen's Report: MHBE Report on Reinsurance Program Costs and Forecast - Appendix: 10-Year Projections.

[4] Report pursuant to HB 413: Report on the Impact of the State Reinsurance Program (2023).

[5] 2024 Joint Chairmen's Report: MHBE Report on Reinsurance Program Costs and Forecast. - Table 11: Projected Program Spending and Funding with Enhanced Federal Premium Subsidies Expiring at the End of 2025.