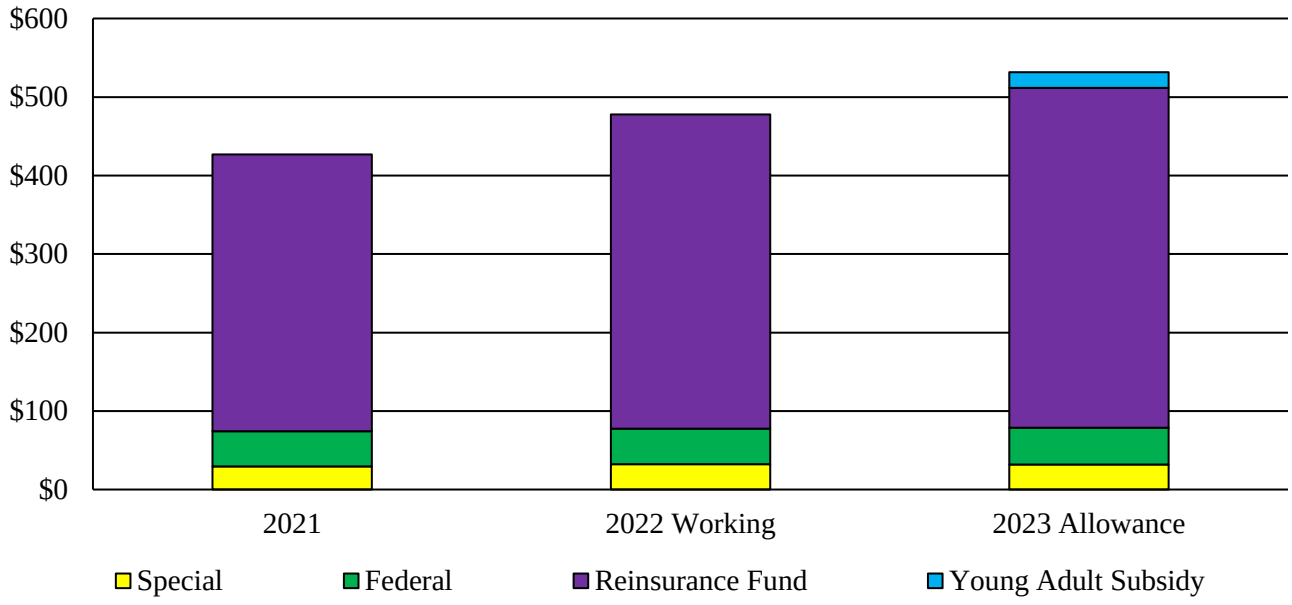
D78Y01
Maryland Health Benefit Exchange

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 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, in order to be sold on the exchange, a health plan must also be certified by the exchange as a QHP. Premium subsidies are only available to plans purchased on the exchange by eligible individuals.

Operating Budget Summary

Fiscal 2023 Budget Increases $53.4 Million, or 11.2%, to $531.4 Million



Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

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- The reinsurance program accounts for the majority of the budgeted increases for MHBE in fiscal 2023 – $32.4 million for the reinsurance program itself in federal pass-through dollars and another $20 million for the young adult subsidy from the State Reinsurance Fund to implement Chapters 777 and 778 of 2021. The Department of Legislative Services (DLS) anticipates a fiscal 2022 budget amendment for the first year of the young adult subsidy funding, not currently reflected in the budget.

- Other major changes in MHBE's fiscal 2023 allowance are related to information technology (IT) projects, with increases totaling $1.3 million.

Fiscal 2022

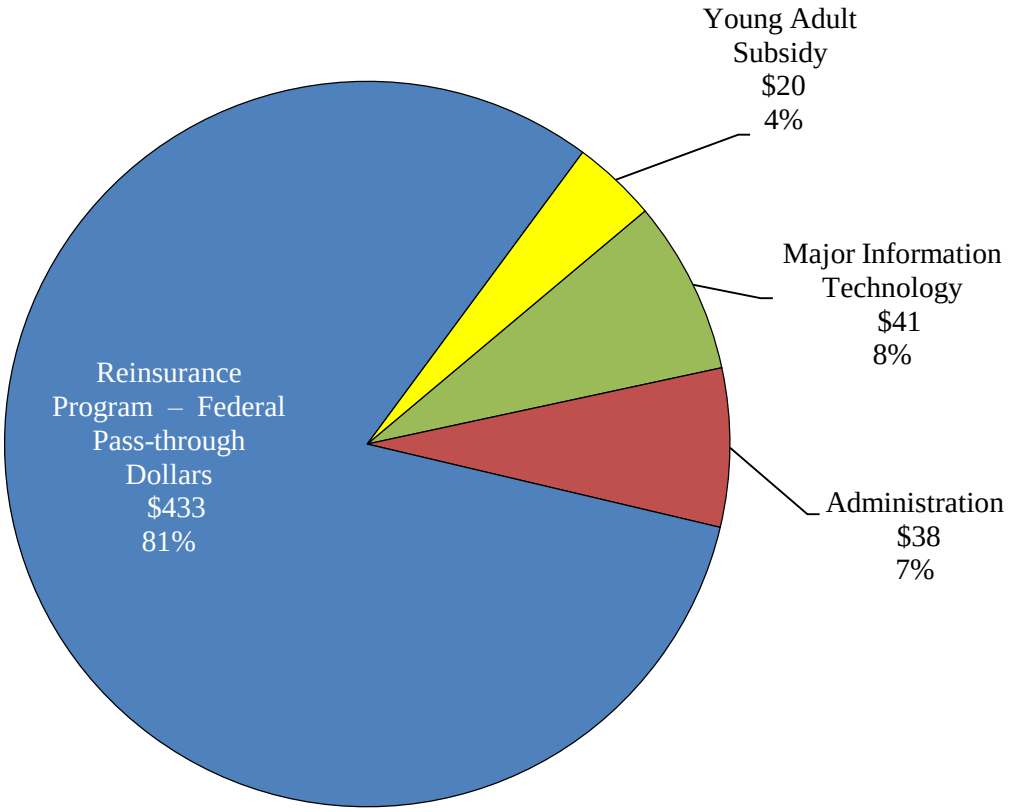
Federal Stimulus Funds

The American Rescue Plan Act (ARPA) provided funding for additional grants to state-based exchanges. MHBE received $1,107,393 from these State Benefit Exchange Modernization grants. These funds were appropriated in a budget amendment prior to the 2022 legislative session. Of this funding, $503,567 is expected to be used for the MHBE's marketing efforts and the remaining $603,826 for IT.

Fiscal 2023 Overview of Agency Spending

MHBE's fiscal 2023 allowance totals $531.4 million. The vast majority of the fiscal 2023 allowance supports reinsurance payments. In fiscal 2023, these payments are entirely from federal pass-through dollars. An additional $20 million is included in the fiscal 2023 allowance for the new young adult subsidy. As shown in **Exhibit 1**, these two items make up 85% of the total fiscal 2023 allowance. The Reinsurance Fund and young adult subsidy are discussed in greater depth in Key Observation 1.

Exhibit 1
Overview of Agency Spending
Fiscal 2023 Allowance
($ in Million)

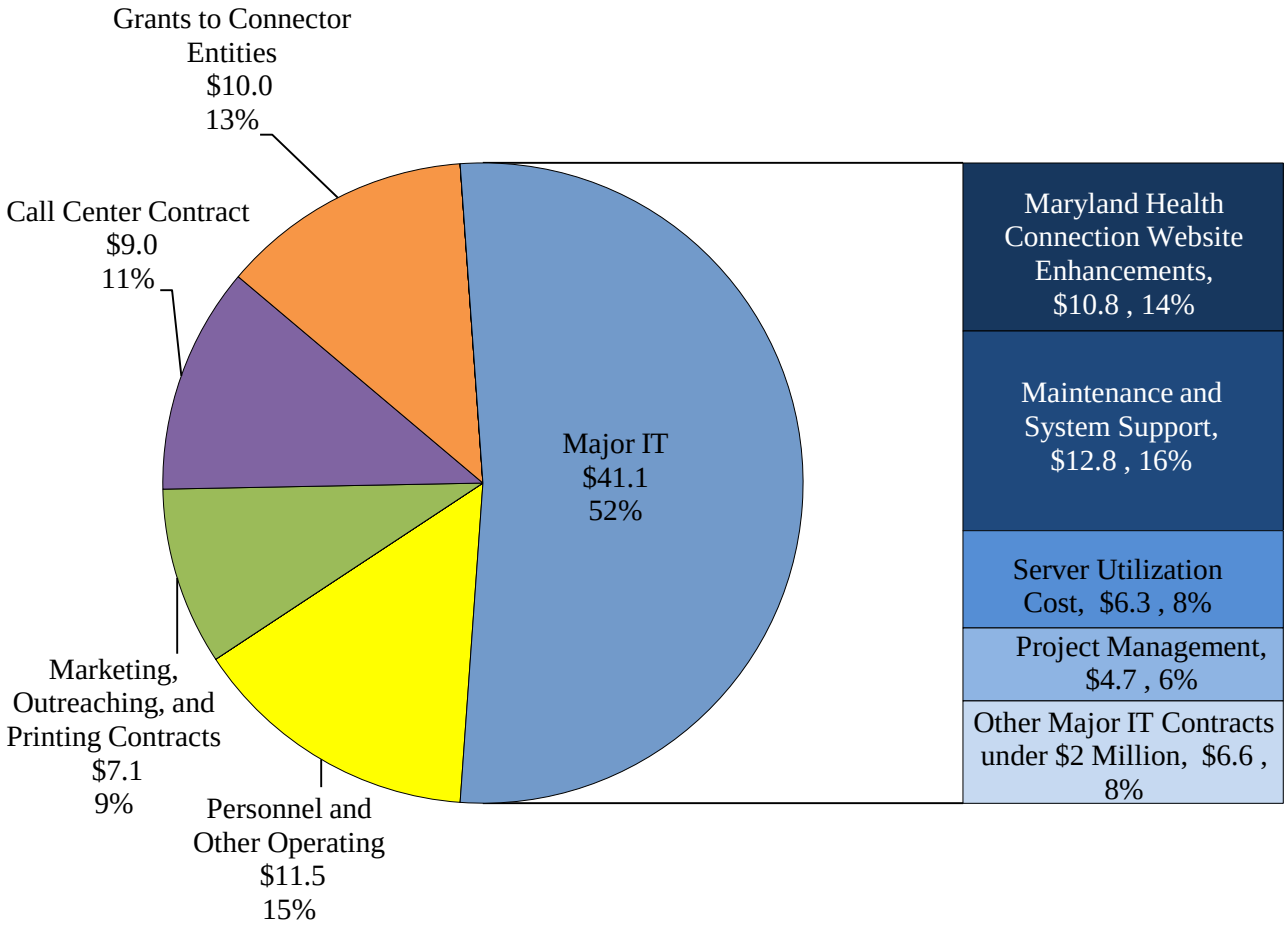


Note: The fiscal 2023 allowance does not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Source: Governor's Fiscal 2023 Budget Books

Aside from these two programs, operating expenditures for MHBE are split roughly in half between major IT contracts for the operations of MHC and other administrative expenditures. **Exhibit 2** removes the costs of the reinsurance program from the agency budget to focus on the remaining $78.7 million in operating expenses.

Exhibit 2
Other MHBE Operating Expenses
Fiscal 2023
($ in Millions)



IT: information technology
MHBE: Maryland Health Benefit Exchange

Note: The fiscal 2023 allowance does not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Source: Governor's Fiscal 2023 Budget Books

The budget includes $10.8 million in funding for IT enhancements to MHC. Planned enhancements to the platform include revamping of their mobile application, artificial intelligence bot integration, secure messaging for live chats, and cybersecurity enhancements. Other enhancements include the further integration of MHC with other State or federal systems such as the Maryland Department of Labor (MDL) for the Maryland Easy Enrollment program, the Centers for Medicare and Medicaid Services (CMS) for their "No Wrong Door" initiative, and direct integration with Medicaid.

The fiscal 2023 special fund allowance for the IT and administrative components of MHBE's budget equal the mandated level, as altered in the Budget Reconciliation and Financing Act of 2021, of $32 million. Special fund expenditures for MHBE are supplemented with federal funds, representing nearly 60% of administrative and IT expenditures for fiscal 2023.

Proposed Budget Change

Of the $53.5 million increase shown in MHBE's budget, all but approximately $1 million of it is attributed to the reinsurance payments and the new young adult subsidy under Chapters 777 and 778. A $1.4 million increase in MHBE's IT projects is slightly offset by a nearly $400,000 decrease in other administrative expenses, detailed in **Exhibit 3**. The decrease in other administrative expenses is driven by the one-time grant fund under the ARPA.

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

How Much It Grows:	Special Fund	Federal Fund	Total
Fiscal 2021 Actual	$29,450	$397,506	$426,956
Fiscal 2022 Working Appropriation	32,095	445,880	477,975
Fiscal 2023 Allowance	52,000	479,445	531,445
Fiscal 2022-2023 Amount Change	$19,905	$33,565	$53,471
Fiscal 2022-2023 Percent Change	62.0%	7.5%	11.2%

Where It Goes:	Change
Personnel Expenses	
Employee and retiree health insurance	$92
Other fringe benefit adjustments	5
Decrease in regular earnings	-34

Where It Goes:	**Change**
Reinsurance Program	
Federal pass-through dollars for the reinsurance payments	32,386
Funding from the reinsurance fund for the implementation of the young adult subsidy as authorized through Chapter 777 and 778 of 2021	20,000
IT Program	
Increase in allocated costs for MHBE's use of State servers	389
Increase in System Support costs for MHC's website	315
Increase in Maintenance and Operations costs for MHC's website	300
Project management costs for MHC's website	225
Purchase of additional MD THINK licenses from DoIT	134
Other changes in IT-related expenditures	19
MHBE Administration	
Expenditures for the call center being more closely aligned with most recent actuals	812
Actuarial assistance for the reinsurance program	-60
Expenses for a policy and technical writer	-160
Marketing, outreach, and printing costs, in part driven by one-time federal funds in fiscal 2022 of the ARPA State Benefit Exchange Modernization Grant	-959
Other operating expenditures	7
Total	**$53,470**

ARPA: American Rescue Plan Act
DoIT: Department of Information Technology
IT: information technology
MD THINK: Maryland Total Human-services Integrated Network
MHBE: Maryland Health Benefit Exchange
MHC: Maryland Health Connection

Note: Numbers may not sum to total due to rounding. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Personnel Data

	FY 21 Actual	FY 22 Working	FY 23 Allowance	FY 22-23 Change
Regular Positions	67.00	67.00	67.00	0.00
Contractual FTEs	0.00	0.00	0.00	0.00
Total Personnel	**67.00**	**67.00**	**67.00**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.69	4.02%
Positions and Percentage Vacant as of 12/31/21	4.00	5.97%
Vacancies Above Turnover	1.31	1.95%

Key Observations

1. Reinsurance Program, Funding, and Young Adult Subsidy

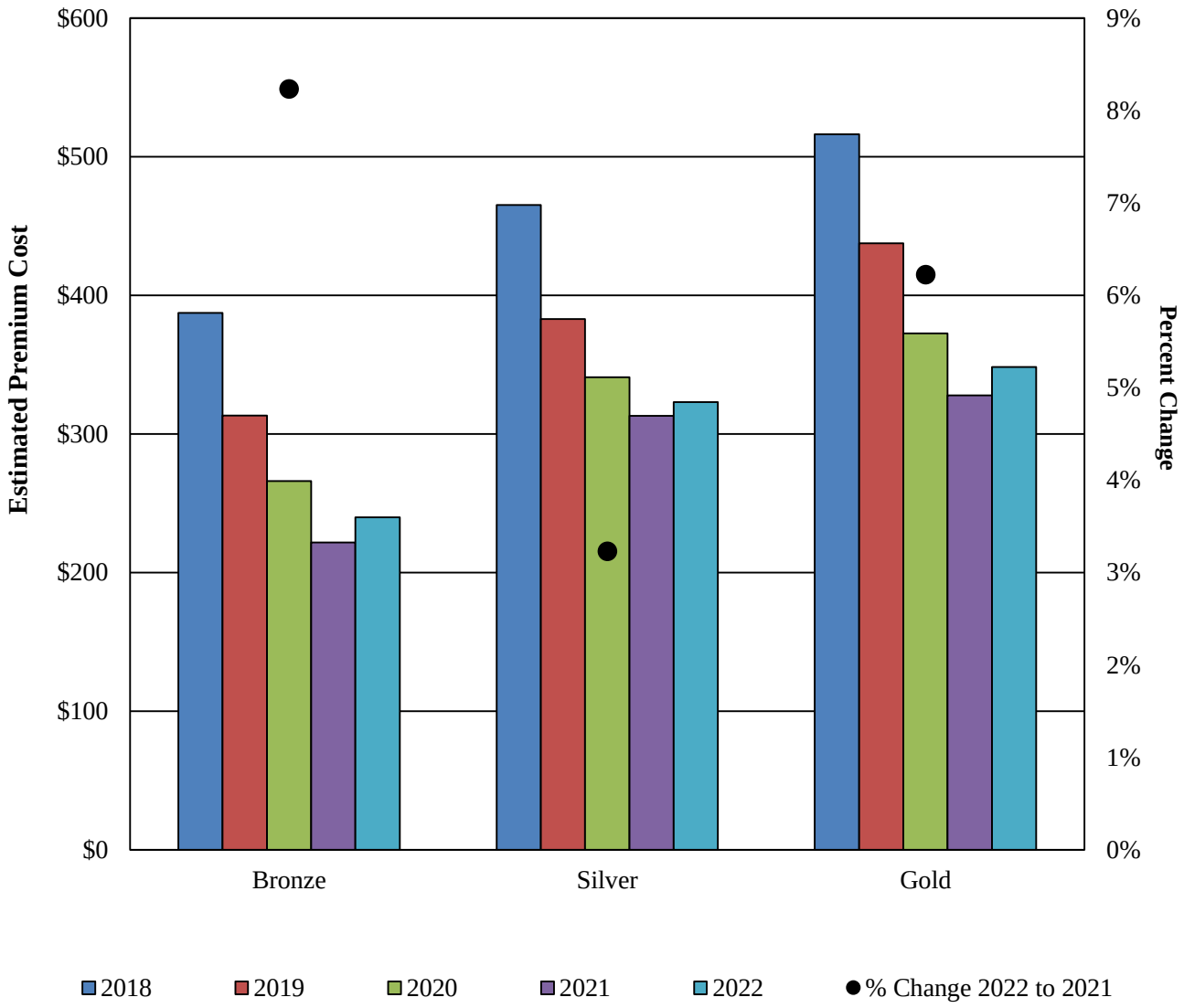
Reinsurance is insurance for carriers that protects against significant losses. Chapters 6 and 7 of 2018 required MHBE to submit an application for a State Innovation Waiver under Section 1332 of the ACA to establish a State Reinsurance Program and seek federal pass-through funding. The federal government approved the waiver in August 2018. The waiver is approved through plan year 2023.

In the 2019, 2020, and 2021 plan years, the State Reinsurance Program provided reinsurance to carriers offering individual health benefit plans in the State. Carriers that incurred total annual claims costs 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. MHBE maintained these parameters for the State Reinsurance Program for the 2022 plan year.

Individual Market Rates Stabilize in Third Year of State Reinsurance Program

Approval of the Section 1332 Waiver and the availability of federal pass-through funds for the State Reinsurance Program has substantially reduced individual market premium rates approved by the Maryland Insurance Administration (MIA). After reaching lows in plan year 2021, 2022 rates are stabilizing around that mark, with modest increases shown in **Exhibit 4**, which provides examples of the monthly premiums for the 2018 through 2022 plan years as calculated by MIA for various metal levels for an individual age 40 in the Carefirst BlueChoice plans.

Exhibit 4
Sample Monthly Premiums for a 40-year-old in a Carefirst BlueChoice Plan
Calendar 2018-2022



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).

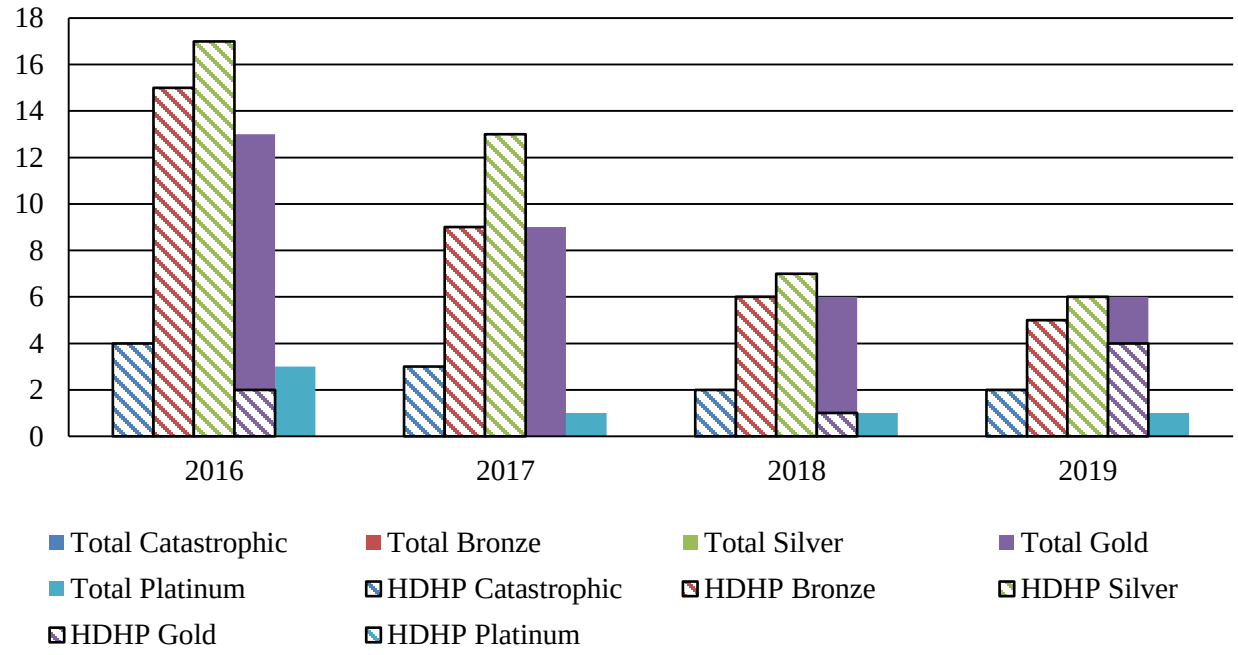
Source: Maryland Insurance Administration

As shown, this year was the first year with an anticipated increase in the sample rates since the reinsurance program began. The increase varies by metal level, with bronze plans increasing the most on a rate basis (8.2%) and silver the least (3.2%). However, even with increases across the metal levels, all rates for plan year 2022 are still below the 2020 rates. In total, premium rates in the individual market have decreased by an average of nearly 32% since the reinsurance program's launch.

Prevalence of High-deductible Plans in the Maryland Health Insurance Marketplace

The 2021 *Joint Chairmen's Report* (JCR) included a request for information on the prevalence of High Deductible Health Plans (HDHP) in the Maryland health insurance marketplace. In the report submitted by MHBE, HDHP was defined as a plan in which the deductible met or exceeded the minimum threshold established by the Internal Revenue Service for a given year, or $1,400 for self-coverage. With this definition in mind, **Exhibit 5** shows the prevalence of these plans across the various metal levels for calendars 2016 to 2019.

Exhibit 5
Prevalence of HDHP
Calendar 2016-2019



HDHP: High Deductible Health Plan

Source: Maryland Health Benefit Exchange

Under this definition, all plans below gold level are categorized as HDHPs in each year analyzed. Interestingly, gold level HDHP's were relatively rare until 2019, when two-thirds of the gold plans offered in the individual marketplace could be categorized as HDHPs. Platinum level plans over this period were never categorized are HDHPs.

MHBE noted in its submission the decision to focus on calendar 2016 to 2019 using a report from the Hilltop Institute due to the instability in the insurance market that was caused by the COVID-19 pandemic in calendar 2020 and the lack of available data at the time of the report for calendar 2021. However, given the trend of more gold level plans meeting the criteria of a HDHP, the DLS is concerned about the growing prevalence of these plans in the State. **MHBE should comment on the increasing share of State's plans with high deductibles and any steps and actions that could be made by MHBE to reduce their prevalence in the individual market.**

Federal Pass-through Dollars and Uses of Reinsurance Fund

As developed, the reinsurance program was expected to be funded through two sources: (1) federal pass-through funds available due to estimated savings from the Advanced Premium Tax Credit due to lower premiums (determined annually by CMS); and (2) a health insurance provider fee imposed by the State. Chapters 37 and 38 of 2018 created a 2.75% assessment on specified health insurance carriers for calendar 2019 only to fund the program. Chapters 597 and 598 of 2019 extended the assessment through calendar 2023; however, for calendar 2020 through 2023, the assessment is 1% rather than 2.75%.

In the first two years of the program, the federal pass-through funds received by the State have been difficult to forecast. For example, for the 2020 plan year, the actuarial firm used by MHBE, Lewis & Ellis, estimated that the State would receive $324.8 million, while the State actually received $447.3 million. For plan year 2021, prior to the implementation and impact of the ARPA (discussed in greater detail below), the State's pass-through amount was only $335 million, where the 2020 forecast for plan year 2021 was $567 million.

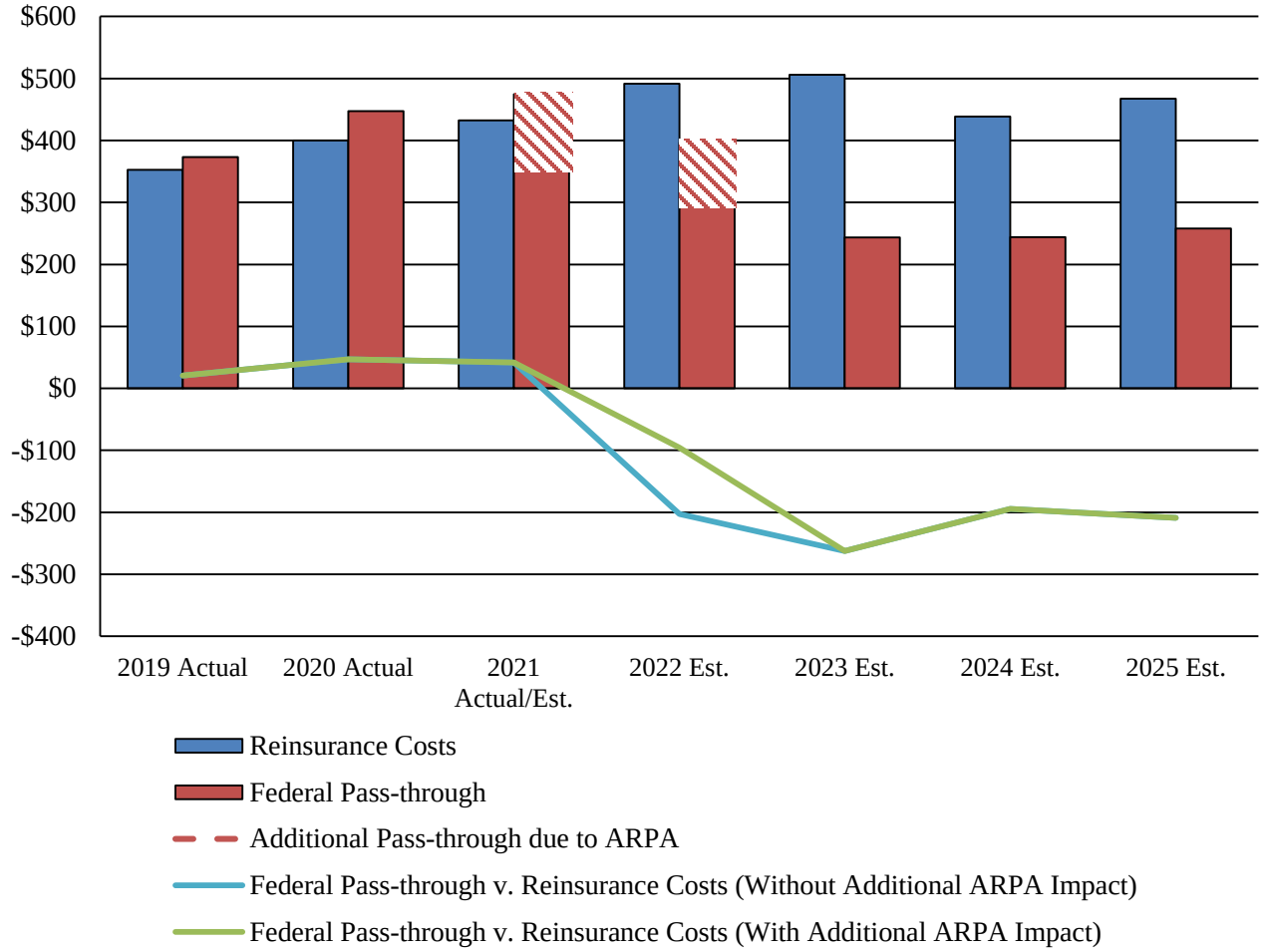
Total payments required to carriers have also proved difficult to forecast, with the Lewis & Ellis 2020 projection being $377.8 million, while actual calendar 2020 expenditures were $400 million. This difference between the 2020 cost projection and the actual 2020 costs has been attributed to the COVID-19 pandemic. The pandemic drove higher-than-projected 2020 enrollment as well as higher than projected claims. Actual 2020 total individual market enrollment was 2,547,683 member-months, or an average of about 212,000 enrollees, which was about 2.4% higher than Lewis & Ellis projected in July 2020. In addition, Lewis & Ellis found COVID-19 had a greater impact on reinsured claims than expected. For example, of CareFirst's high-cost claimants with over $20,000 in incurred claims, approximately 56% had a COVID-19 claim.

Further adding to the difficulty in forecasting the reinsurance program is the impact of federal legislation. The ARPA included enhanced federal premium subsidies for calendar 2021 and 2022, which are expected to boost enrollment. Maryland received $139 million in calendar 2021 due to the ARPA far exceeding the actuarial estimate of $32 million. DLS's calendar 2022 estimates add an

additional $107 million on top of the actuarial estimates made in July to better align with the calendar 2021 ARPA funding level.

Given higher than anticipated federal pass-throughs, the funding from the State assessment on carriers has not been needed to fund reinsurance costs. The most recent projection of federal revenues and costs has reinsurance program expenses outpacing federal revenues for the first time in calendar 2022, as shown in **Exhibit 6**. Once surplus federal pass-through dollars from prior years are exhausted, the State assessment funds will fill the gap between costs and federal dollars. Under DLS' assumptions regarding increased support through the ARPA, only $95 million in additional funding will be needed for the reinsurance program in calendar 2022. Based on the current estimates for program costs and pass-through dollars, at this point the State will have retained nearly $110 million in prior year funds for this purpose, allowing the reinsurance program costs to be fully covered by federal dollars again in calendar 2022. However, as shown in the exhibit, those federal dollars retained dissipate in calendar 2023 and the need from the State's reinsurance fund is approximately $250 million.

Exhibit 6
Federal Pass-Through Relative to Reinsurance Costs
Calendar 2019-2025 Est.
($ in Millions)



ARPA: American Rescue Plan Act

Note: 2021 pass-through amount actual value for calendar 2021; reinsurance costs represent an estimate. Calendar 2022 includes an additional $107 million above the actuarial estimates reported by the Maryland Health Benefit Exchange in July due to likely understatement of the APRA impact on the reinsurance program, however no additional APRA impact is considered in the outyears. The calendar 2024 and 2025 estimates are shown under the assumption that the federal waiver for the program is extended. Excess federal pass-through funds can be retained only for future reinsurance needs throughout the waiver program.

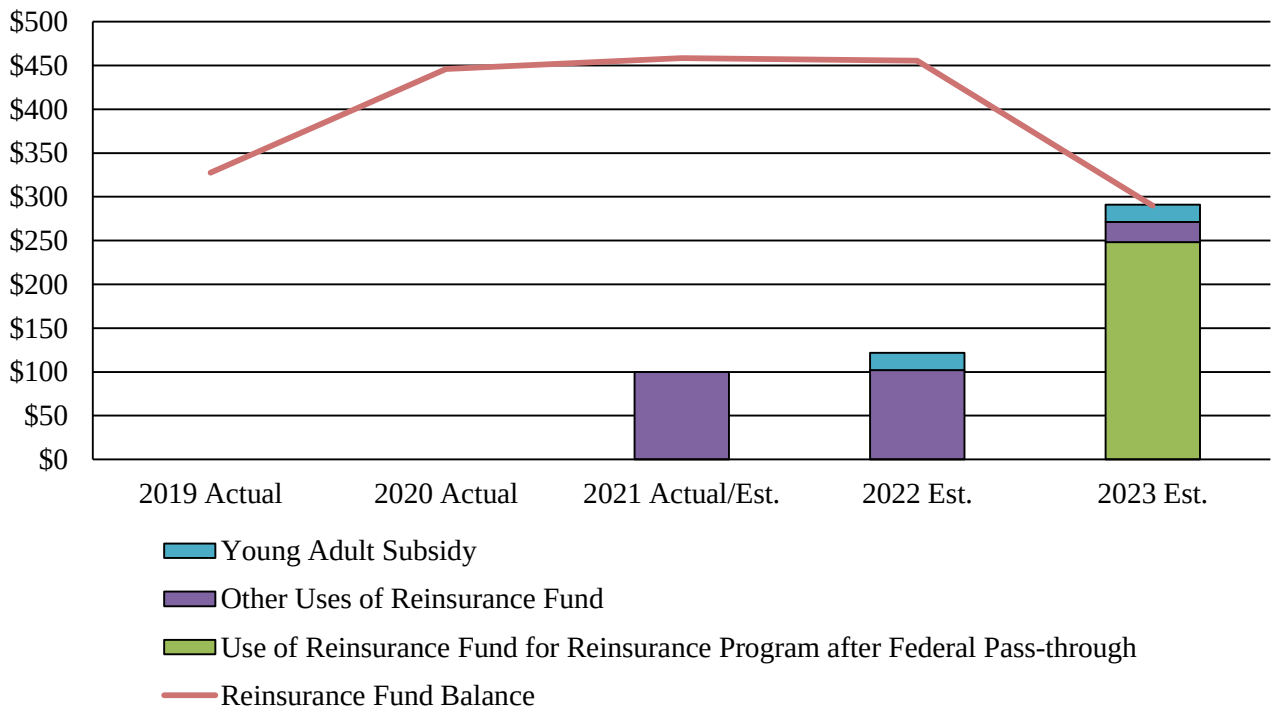
Source: Maryland Health Benefit Exchange; Department of Legislative Service

The forecasts presented throughout this analysis assume the ARPA subsidies end after calendar 2022. However, if these subsides are extended, the actuarial forecast for federal funds would

increase as well as potentially costs. In fact, the premium subsidies in the ARPA were the primary reason pass-through amounts ultimately are expected to exceed the reinsurance costs in calendar 2021.

Since State funds were not initially necessary to fund the reinsurance costs, more than $300 million of State assessment revenues were diverted during the 2021 session to other health-related purposes over fiscal 2021 through 2025. **Exhibit 7** shows the near-term outlays and fund balance for the reinsurance fund. As shown, State support for the reinsurance program is not projected to be required until calendar 2023, the last year of the program currently authorized.

Exhibit 7
Reinsurance Fund Forecasted Balance
State Funds
Calendar 2019-2023 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. Additionally, $38 million in additional spending from the reinsurance fund planned between calendar 2024 and 2025 not represented here. The provider assessment to the reinsurance fund currently ends in calendar 2023. 2021 Pass-through amount actual value for calendar 2021; reinsurance costs represent an estimate.

Source: Maryland Health Benefit Exchange; Department of Legislative Service

This need for the reinsurance fund in calendar 2023 leaves the estimated fund balance at $290 million. However, the reinsurance fund has an additional $38 million of statutory commitments in calendar 2024 and 2025. Additionally, as previously mentioned, both the current waiver and the provider assessment are set to expire after 2023. The current forecasts suggests that if the waiver continues without an extension of the provider assessment, the reinsurance fund would be insufficient to cover program expenditures. HB413/SB395 of 2022, as introduced, would extend the provider assessment through calendar 2028 at the current assessment rate of 1%. Complete costs, forecasts, and other uses of the reinsurance fund under current statute are detailed in **Appendix 3**. **DLS recommends adopting committee narrative to continue the reporting on the Reinsurance Fund and Program including impacts on premiums, and an updated forecast of spending and funding needs. Further, DLS recommends adopting committee narrative requiring MHBE to inform the budget committees of any submission of additional State Innovation Waivers.**

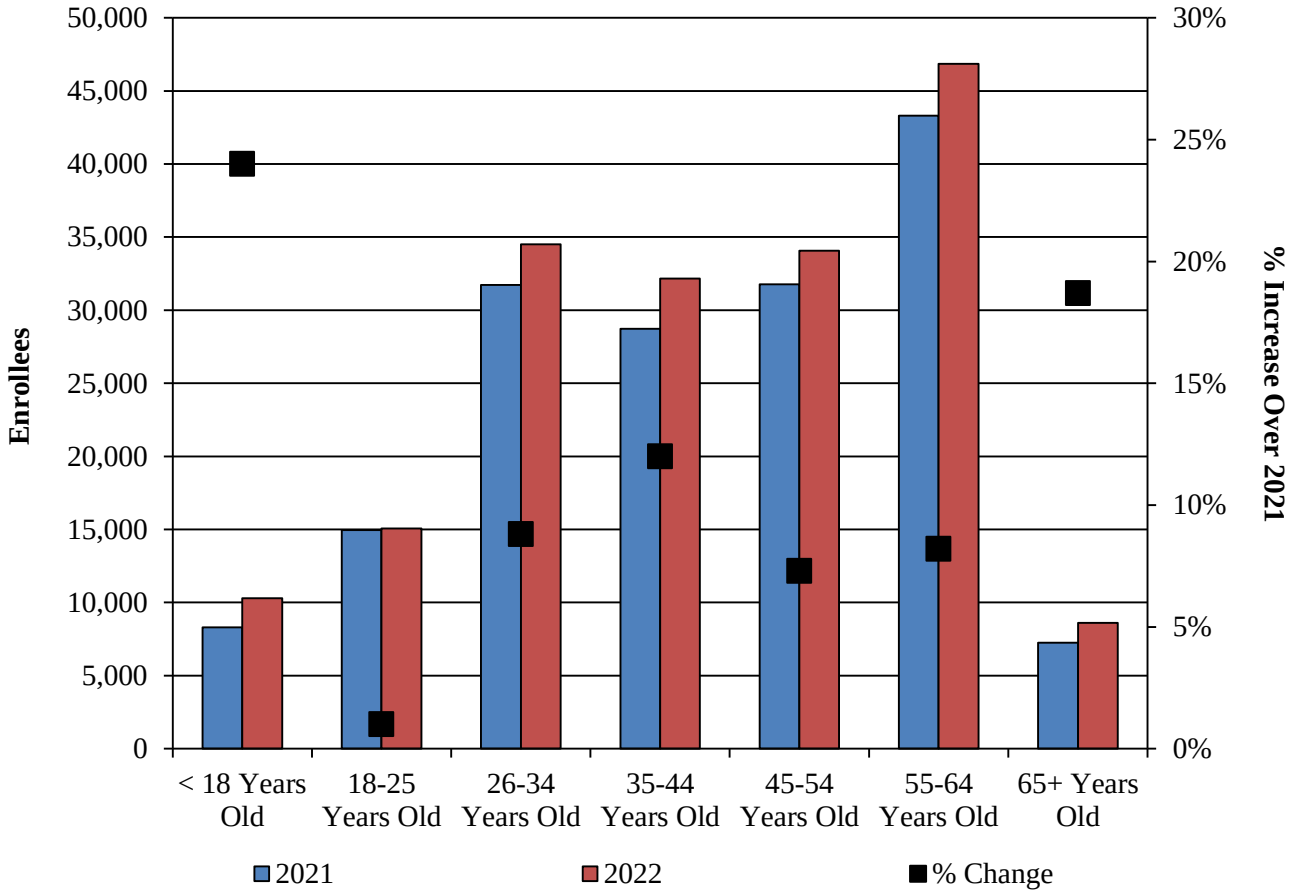
Young Adult Subsidy

Chapters 777 and 778, established the State-based Young Adult Health Insurance Subsidies Pilot program for calendar 2022 and 2023 using $40 million from the provider assessment through fiscal 2024. As discussed previously, $20 million for this purpose is included in the Governor's fiscal 2023 allowance. This is consistent with the MHBE forecasts for the reinsurance fund, with $20 million earmarked in both calendar 2022 and 2023, as shown in Exhibit 7.

The subsidy went live for plan year 2022 on January 1, 2022, for enrollees ages 18 to 34. The subsidy is available for those individuals eligible and enrolling through MHC. The subsidy aims to reduce the maximum expected contribution by 2.5% for individuals between ages 18 to 30. The discount on the expected contribution is phased out from ages 31 to 35 with a 0.5 percentage point reduction for each additional year of age for ages 31 to 35 (*e.g.*, 2.0% for 31-year-olds). MHBE projected that this subsidy would cost $17 million each year and may cap enrollment if projections exceed the $20 million budgeted. Open enrollment for those in the subsidy-eligible group for plan year 2022 increased by 6.2% over 2021, with two-thirds of that group qualifying for the new subsidy. MHBE reports having used $13 million so far with an average premium subsidy of $38.47. The remaining $7 million budgeted is available for the rest of open enrollment and special enrollments. MHBE notes they intend to process a fiscal 2022 budget amendment for young adult subsidy costs for plan year 2022.

Although enrollment has increased with the young adult group, enrollment with these groups actually grew slower than many other age brackets, as shown in **Exhibit 8**. The group with the lowest enrollment growth, 18- to 25-year-olds had just a 1% increase. However, of note, under the ACA, these individuals are still eligible for coverage under their parents plan until age 26. Due to other increases across the MHC enrollees, young adults actually make up a smaller share of enrollees currently (27%) than in plan year 2021 (28%).

Exhibit 8
Change in Enrollment in QHP by Age Category
Calendar 2021-2022



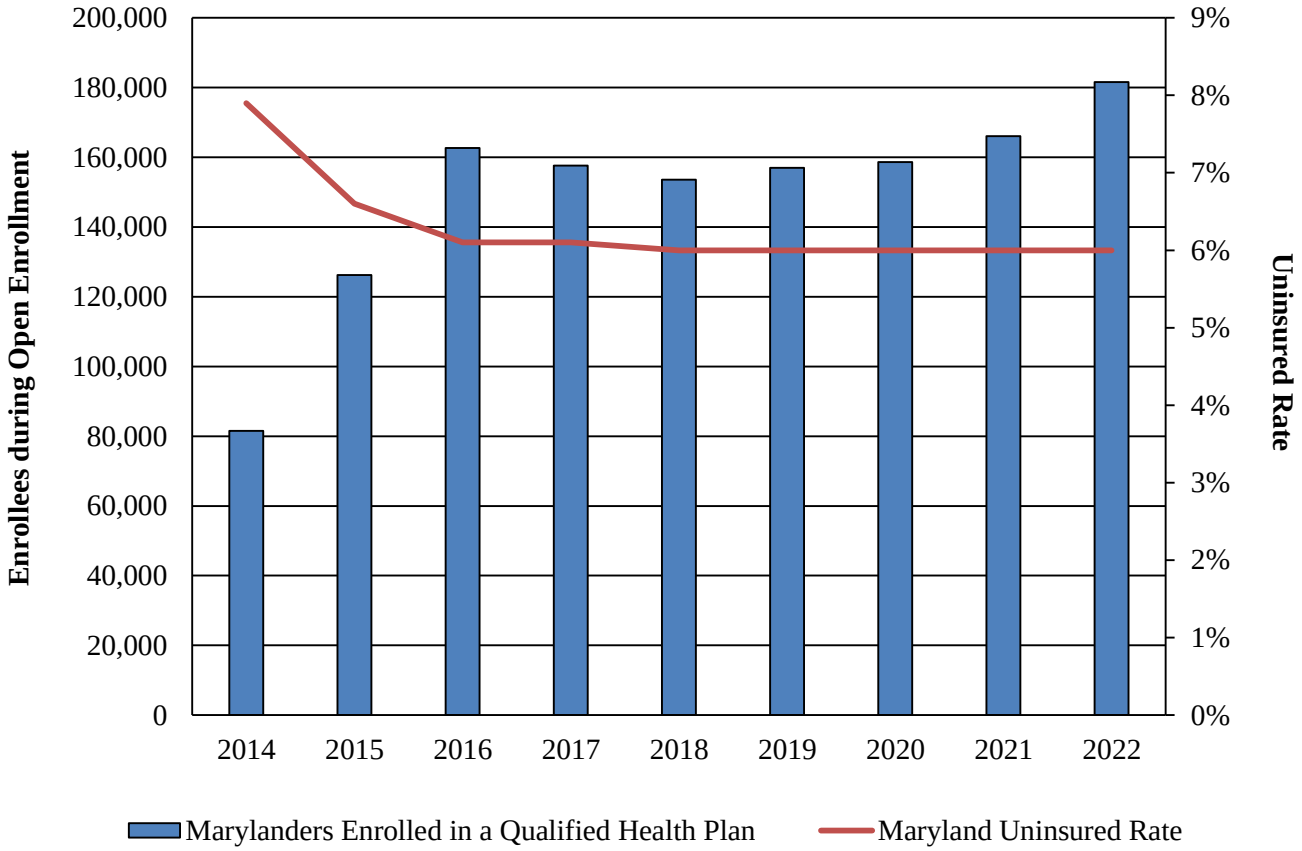
QHP: Qualified Health Plan

Source: Maryland Health Benefit Exchange Governor's Office

2. Marketplace Enrollment, State Uninsured Rate

MHBE has reported the largest number of enrollees in QHPs in recent years, as shown in **Exhibit 9**. In fact, MHBE notes that calendar 2021 marked the highest enrollment for MHC, and calendar 2022 open enrollment totals have well surpassed that amount. Contributing to the increases are special enrollment periods in prior years during the COVID-19 pandemic and, on January 19, 2022, the Governor announced a further extension of open enrollment for plan year 2022 through February 28, 2022, only further expanding the possibility for growth in MHC enrollees.

Exhibit 9
Maryland Health Connection Enrollment
Calendar 2014-2022



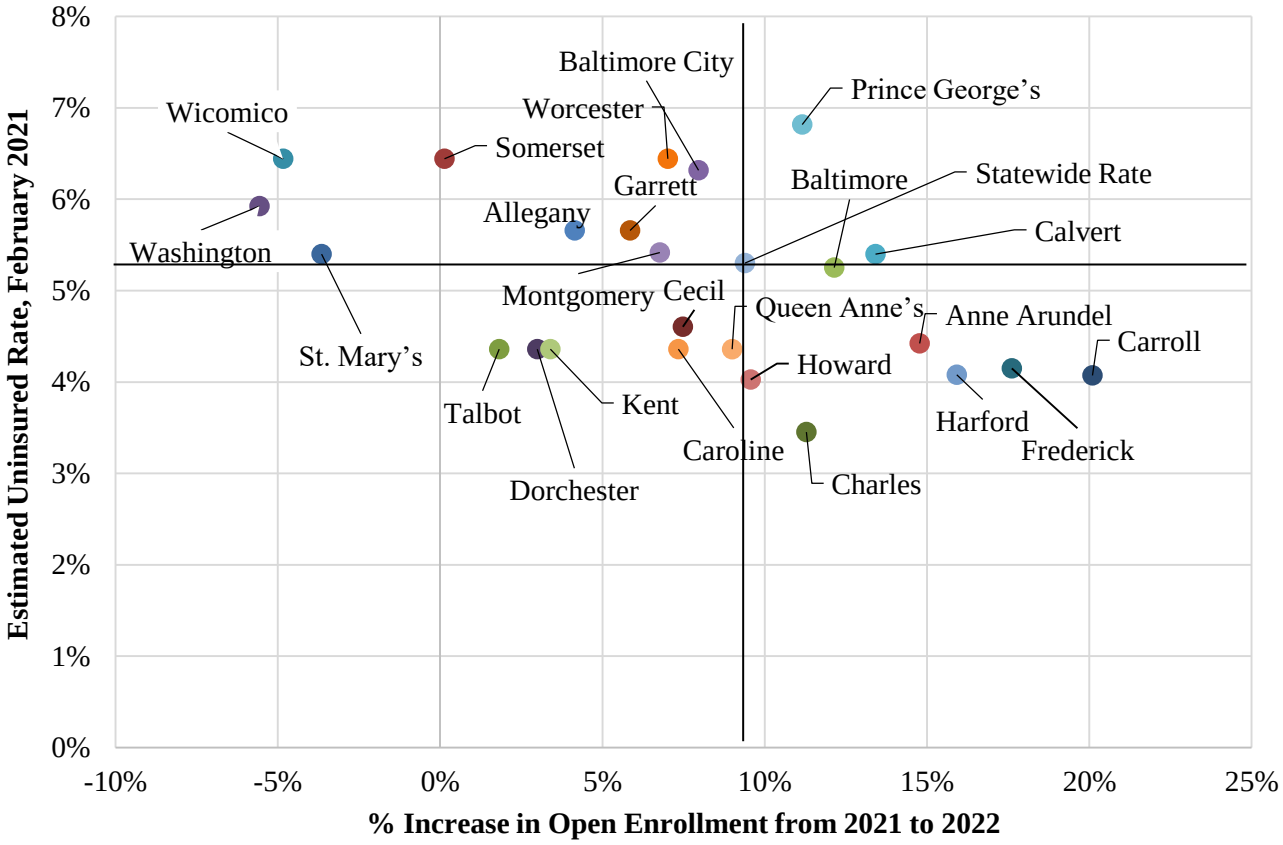
Note: Enrollees are reported for the beginning of the plan year. Individuals may drop off throughout the year. Enrollees for 2022 as reported on January 18, 2022. Open enrollment has been extended through February 28, 2022, which will likely further increase plan year 2022 enrollment.

Source: Maryland Health Benefit Exchange; Governor's Office

Additionally, Exhibit 9 shows that the State's uninsured rate has been relatively consistent at 6%. In February 2021, MHBE published a report on the impact of COVID-19 on the State's unemployment rate using the State's 44 Public Use Microdata Areas (PUMA). PUMAs are nonoverlapping, statistical geographic areas that partition each state or equivalent entity into geographic areas containing no fewer than 100,000 people each. In Maryland, some counties have multiple PUMAs therein while, for instance, five Eastern Shore counties (Caroline, Dorchester, Kent, Queen Anne's, and Talbot) make up one PUMA. The MHBE report accounted for the potential loss of employer-sponsored insurance during the initial phase of the pandemic but found the loss was mitigated by increased enrollment in MHC. These increases in enrollment were experienced in nearly every

county in Maryland; however, rates of increase were not uniform throughout the State, as shown in **Exhibit 10**.

Exhibit 10
Enrollment Increase and Uninsured Rate



Note: Quadrants divided represent Statewide averages and rates for open enrollment increase and post-COVID-19 Uninsured rate as estimated by February 2021 Maryland Health Benefit Exchange report, respectively.

Source: Maryland Health Benefit Exchange; Governor's Office; Department of Legislative Services

Using the estimates of the uninsured population from PUMA, DLS distributed an estimated uninsured rate during the first months of the pandemic by county. These county level uninsured rates are then plotted using MHBE's data on open enrollment increases. As shown, unfortunately, some of the jurisdictions with the smaller increases in the 2022 open enrollment also had some of the higher uninsured rates. These are both the State's more populated jurisdictions in Baltimore City and much of Western Maryland. Conversely, jurisdictions with some of the larger gains in open enrollment already had a relatively low uninsured rate, consisting of much of Central Maryland. Only two jurisdictions

had a higher uninsured rate and a higher open enrollment rate than the State's average – Prince George's and Calvert counties. It is important to note that the overall State's uninsured rate is consistently one of the lowest in the nation.

Possible Expansion of Coverage to Individuals Ineligible for Medicaid or QHPs

The 2021 JCR requested that MHBE review options for increasing affordable coverage to improve health equity for individuals who are ineligible to enroll in Medicaid and QHPs and to make recommendations on options for health coverage and cost sharing. Specifically, the committees requested that MHBE report on "costs, feasibility, and a review of activity in other states to serve this population."

Under federal rules, the largest population of nonincarcerated Maryland residents who are ineligible for Medicaid or QHP coverage are undocumented immigrants. There are an estimated 244,700 undocumented immigrants residing in Maryland, approximately 115,900 of whom are estimated to be uninsured, making up a significant share of the State's uninsured population.

The other substantial group of individuals ineligible for subsidies under federal rules for coverage are individuals with a family member whose employer offers affordable self-only coverage (as determined by federal regulation) but not affordable family coverage. These individuals are referred to as falling within the "family glitch" in the ACA. The report by MHBE also estimated that 7,470 individuals are experiencing the family glitch in Maryland.

MHBE reported that, as of 2019, approximately 357,000 individuals remain uninsured in Maryland, approximately 35% of whom are either ineligible for coverage through State programs due to immigration status or ineligible for federal financial assistance with health insurance premiums due to the federal family glitch. The options for addressing this population as outlined in the response to the committee narrative in the 2021 JCR included (1) coverage through the exchange using a Section 1332 Waiver with a State Subsidy Program; (2) coverage through a State-only Medicaid Program; or (3) coverage through a public option.

MHBE was able to provide the most detail on the possible costs and impacts of the use of 1332 waivers for a targeted State subsidy program, which would expand eligibility to roughly 160,00 undocumented individuals with an estimated 50,000 choosing to enroll. This uptake rate was based on other states' offerings of similar programs, which found a roughly 30% participation rate. MHBE estimated that this would bring the State's uninsured rate down by 0.6% to roughly 5.4%. Estimated costs for targeting undocumented immigrants varied from $165 million to $222 million depending on the availability of federal pass-through dollars. The report also discussed the potential impact of more targeted 1332 Waiver subsidies. For instance, the report posited that limiting state subsidies to the undocumented under 200% of the federal poverty level or limiting the subsidy to those 34 years or younger would make the program cheaper but have a lower net impact. Estimated costs for these targeted subsidies were $72 million and $24 million, respectively.

While the other two options were addressed in MHBE's report, it did not provide enrollment or cost projections for those items given the complexity of those particular solutions and necessary involvement of other State agencies in the implementation needed. For instance, federal funds through the Medicaid program may not be used to provide non-emergency coverage to undocumented individuals. Therefore, any expansion of services for that population would be entirely State funded. With that in mind, the expansion of a State-only Medicaid program would also need to consider which undocumented populations would be eligible for coverage. The exact benefits as well as the mechanism for providing coverage and enrollment would also need to be considered.

The other coverage option listed, a public option, similarly poses a significant number of questions around the size and structure that would significantly impact the costs of implementation. Targeted population, mechanism of distribution or enrollment of the public option, and the benefits included would all need to be further evaluated and studied for their impact on both the uninsured and the State's health insurance marketplace at large.

Operating Budget Recommended Actions

1. Adopt the following narrative:

   State Innovation Waiver Applications: The Maryland Health Benefit Exchange (MHBE) has indicated that it is considering submitting additional State Innovation Waiver applications, including to administer the Small Business Health Insurance Tax Credit, offer individual subsidies, and an extension of the State Reinsurance Program. Given the implications of these waivers on the activities of the agency and the budget for the agency, the committees are interested in remaining informed of MHBE's activities in these areas. The committees request that MHBE notify the committees of any applications for State Innovation Waivers that it submits during fiscal 2023 and the final decision on those applications

Information Request	Author	Due Date
Notification of applications for State Innovation Waivers and decisions on those applications	MHBE	As needed, within 20 days of any application and decision on any application

2. Adopt the following narrative:

   Reinsurance Program Costs and Forecast: 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, including a discussion of opportunities for future funding beyond calendar 2023.

Information Request	Author	Due Date
Reinsurance program costs and forecast	MHBE	September 30, 2022

Appendix 1
2021 *Joint Chairmen's Report* Responses from Agency

The 2021 JCR requested that MHBE prepare four reports. Electronic copies of the full JCR responses can be found on DLS Library website.

- ***State Innovation Waiver Application:*** The JCR required notifications of applications for State Innovation Waivers as needed within 20 days of any application and decision on any application. At present, there has not been a need for any notifications for State Innovation Waivers.

- ***Report on Costs, Feasibility, and a Review of Activity in Other States to Serve Individuals Ineligible for Medicaid or QHPs with Advanced Premium Tax Credits:*** This report is discussed in Key Observation 2.

- ***Reinsurance Program Costs and Forecast:*** This report is discussed in significant detail in Key Observation 1.

- ***High-deductible Plans:*** This report is discussed in significant detail in Key Observation 1.

Appendix 2
Audit Findings

Audit Period for Last Audit:	July 1, 2017 – March 8, 2020
Issue Date:	May 2021
Number of Findings:	3
Number of Repeat Findings:	1
% of Repeat Findings:	33.33%
Rating: (if applicable)	n/a

Finding 1: **MHBE continues to rely solely on Maryland Automated Benefit System (MABS) to verify the income of certain applications even though MABS excluded many types of applicant incomes, including unemployment compensation payments. The auditors found that MHBE only uses federal tax information when determining eligibility if no record was located for the applicant in MABS. The auditors recommended using other State data sources, including the MDL unemployment payments to achieve a more complete eligibility picture.**

Finding 2: Manual overrides of applicant eligibility status were not subject to independent review and approval and, consequently, unauthorized changes could be made without detection. Specifically, the auditors found that 23 individuals had the ability to override an individual's eligibility determination and grant the applicant health insurance without independent review and approval. The auditors recommended that MHBE use available system reports to ensure that overrides of all applicant eligibility statuses are subject to independent review and approval.

Finding 3: Remote access to the internal agency network by MHBE employees used a single authentication measure, and traffic from remote network connections by certain affiliated third parties was not filtered. The auditors recommended that MHBE implement a multi-factor authentication system for employees' remote connections into the MHBE network and limit remote VPN connections access to only the MHBE network destinations addresses required for their job responsibilities.

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

Appendix 3
Fund Balances and Other Uses of the Reinsurance Fund
($ in Millions)

	Calendar Year	2019 Actual	2020 Actual	2021 Actual/Est.	2022 Est.	2023 Est.	2024 Est.	2025 Est.
Reinsurance Program	Estimated Reinsurance Costs	$352.8	$400.2	$432.6	$491.6	$506.0	$438.4	$467.2
	Estimated Federal Pass Through	373.4	447.3	335.4	289.2	243.8	244.1	258.1
	Additional Amount Due to the ARPA (Included in Calendar 2021 and 2022)			139.2	107.0			
	Difference, Program Costs v. Federal Dollars, Calendar Year	20.6	47.1	41.9	-95.5	-262.2	-194.3	-209.1
	Federal Dollars Retained for Future Reinsurance Needs	20.6	67.7	109.6	14.1			
	Funding Needs Aside from Federal Pass-through					-248.1	-194.3	-209.1
Provider Assessment (MIA Estimate – Additional Fund Revenue)		**$327.5**	**$118.5**	**$112.6**	**$118.9**	**$125.6**		
Planned Expenditures	**Young Adult Subsidy**	**$0.0**	**$0.0**	**$0.0**	**$20.0**	**$20.0**		
	Other Uses of Reinsurance Fund	**$0.0**	**$0.0**	**$100.0**	**$101.9**	**$23.0**	**$23.0**	**$15.0**
	SPDAP			0.0	1.9	0.0	0.0	0.0
	Medicaid			100.0	100.0	0.0	0.0	0.0
	CHRC (Revenue Diversion)			0.0	0.0	8.0	8.0	0.0
	Health Equities Resource Fund			0.0	0.0	15.0	15.0	15.0
	Provider Assessment Available Minus Reinsurance Fund Use and Other Uses	**$327.5**	**$118.5**	**$12.6**	**-$3.0**	**-$165.6**	**-$217.3**	**-$224.1**
	Retained Provider Assessment Funds		$327.5	$446.0	$458.6	$455.6	$290.0	$72.7
	Reinsurance Fund Balance	**$327.5**	**$446.0**	**$458.6**	**$455.6**	**$290.0**	**$72.7**	**-$151.4**

CHRC: Community Health Resources Commission SPDAP: Senior Prescription Drug Assistance Program

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. 2021 pass-through amount actual value for calendar 2021; reinsurance costs represent an estimate. Calendar 2022 includes an additional $107 million above the actuarial estimates reported by MHBE in July due to likely understatement of the APRA impact on the reinsurance program, however no additional APRA impact is considered in the outyears. The calendars 2024 and 2025 estimates are shown under the assumption the federal waiver for the program is extended. Excess federal pass through funds can be retained only for future reinsurance needs throughout the waiver program.

Appendix 4
Object/Fund Difference Report
Maryland Health Benefit Exchange

Object/Fund	FY 21 Actual	FY 22 Working Appropriation	FY 23 Allowance	FY 22 - FY 23 Amount Change	Percent Change
Positions					
01 Regular	67.00	67.00	67.00	0.00	0%
Total Positions	**67.00**	**67.00**	**67.00**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 8,202,846	$ 8,374,397	$ 8,437,209	$ 62,812	0.8%
02 Technical and Special Fees	0	11,786	11,786	0	0%
03 Communication	120,973	105,624	121,300	15,676	14.8%
04 Travel	3,724	45,485	32,500	-12,985	-28.5%
08 Contractual Services	407,779,350	457,980,304	511,415,696	53,435,392	11.7%
09 Supplies and Materials	5,995	8,000	11,500	3,500	43.8%
10 Equipment – Replacement	410	0	0	0	0.0%
11 Equipment – Additional	216,834	475,000	475,000	0	0%
12 Grants, Subsidies, and Contributions	9,672,912	10,000,000	10,000,000	0	0%
13 Fixed Charges	952,837	973,904	940,022	-33,882	-3.5%
Total Objects	**$ 426,955,881**	**$ 477,974,500**	**$ 531,445,013**	**$ 53,470,513**	**11.2%**
Funds					
03 Special Fund	$ 29,449,912	$ 32,094,837	$ 52,000,000	$ 19,905,163	62.0%
05 Federal Fund	397,505,969	445,879,663	479,445,013	33,565,350	7.5%
Total Funds	**$ 426,955,881**	**$ 477,974,500**	**$ 531,445,013**	**$ 53,470,513**	**11.2%**

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review