

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

Operating Budget Summary

**Fiscal 2027 Budget Increases \$140.7 Million, or 17.2%, to \$957.4 Million
(\$ in Millions)**



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

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- Funding for the reinsurance program increases by \$79.6 million in the fiscal 2027 allowance, which includes an increase of \$51.0 million in federal pass-through dollars and \$28.9 million special funds. MHBE anticipates that reinsurance payments will exceed the amount available from the federal pass-through funds, necessitating the use of the State reinsurance fee to support the program.
- The fiscal 2027 allowance includes \$118.5 million for the State-Based Health Insurance Subsidies Program authorized by Chapter 468 of 2025 and implemented on January 1, 2026. The State subsidy program provides subsidies to eligible individuals to offset the impact of the expiration of enhanced premium tax credits at the end of calendar 2025 on premium affordability. The subsidy program incorporates the State-Based Young Adult Health Insurance Subsidies Program, established as a permanent program that MHBE is authorized to implement by Chapters 721 and 722 of 2025. Total spending for the State subsidy program increased by \$40.1 million from the fiscal 2026 working appropriation to the fiscal 2027 allowance. The fiscal 2026 working appropriation included \$26.0 million for the young adult subsidy program and \$52.3 million for the State subsidy program to cover payments for the first half of plan year 2026.

Fiscal 2025

Fiscal 2025 closeout included several notable budget amendments that added a total of \$24.5 million in fiscal 2025. In addition to budget amendments that added small adjustments for cost-of-living adjustments, closeout budget amendments included:

- \$28.9 million special funds to pay health insurance carriers for additional reinsurance program costs;
- \$2.7 million special funds to cover remaining payments to insurance carriers for the young adult subsidy program; and
- \$2.5 million federal funds to support costs related to call center, fulfillment, and personnel.

The budget typically reflects the most recent forecast for expenditures for the reinsurance program to be paid in that year as final payments are not determined until after the budget is enacted. In years when payments are higher than forecast, budget amendments provide additional appropriation to support the needed costs. In years when costs are lower, the excess is canceled in closeout.

Fiscal 2026

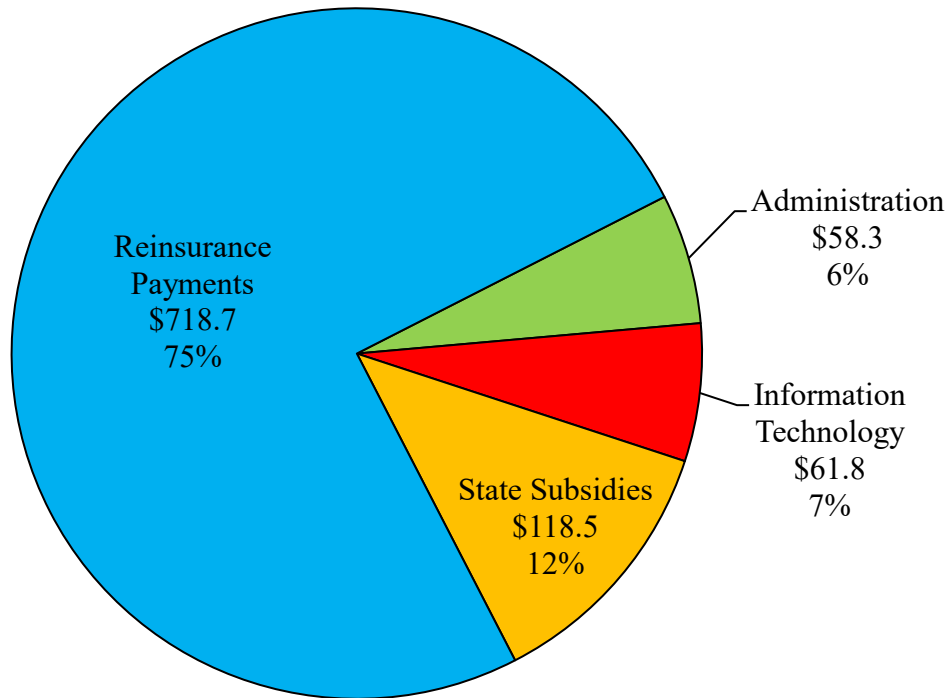
Proposed Deficiency

The fiscal 2027 allowance includes one proposed deficiency appropriation that provides \$5.3 million in total funds (\$4.2 million federal funds and \$1.1 million general funds) for information technology (IT) system changes primarily to implement revised federal Medicaid eligibility requirements due to the One Big Beautiful Bill Act (OBBBA).

Fiscal 2027 Overview of Agency Spending

As shown in **Exhibit 1**, MHBE’s fiscal 2027 allowance totals \$957.4 million, of which 87% supports reinsurance payments and State subsidies. The subsidy program was authorized by Chapter 468 and provides subsidies to eligible participants to replace assistance provided through enhanced premium tax credits to offset the impact of the loss of enhanced premium tax credits on affordability of premiums. The State subsidy program, called Maryland Premium Assistance, was implemented on January 1, 2026, and incorporates payments for the young adult subsidy program that was authorized by Chapters 777 and 778 of 2021, extended by Chapters 256 and 257 of 2023, and established as a permanent program by Chapters 721 and 722. Excluding the reinsurance payments and State subsidies, the rest of the agency spending includes 7% (\$61.8 million) for IT, and 6% (\$58.3 million) for Administration.

Exhibit 1
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)

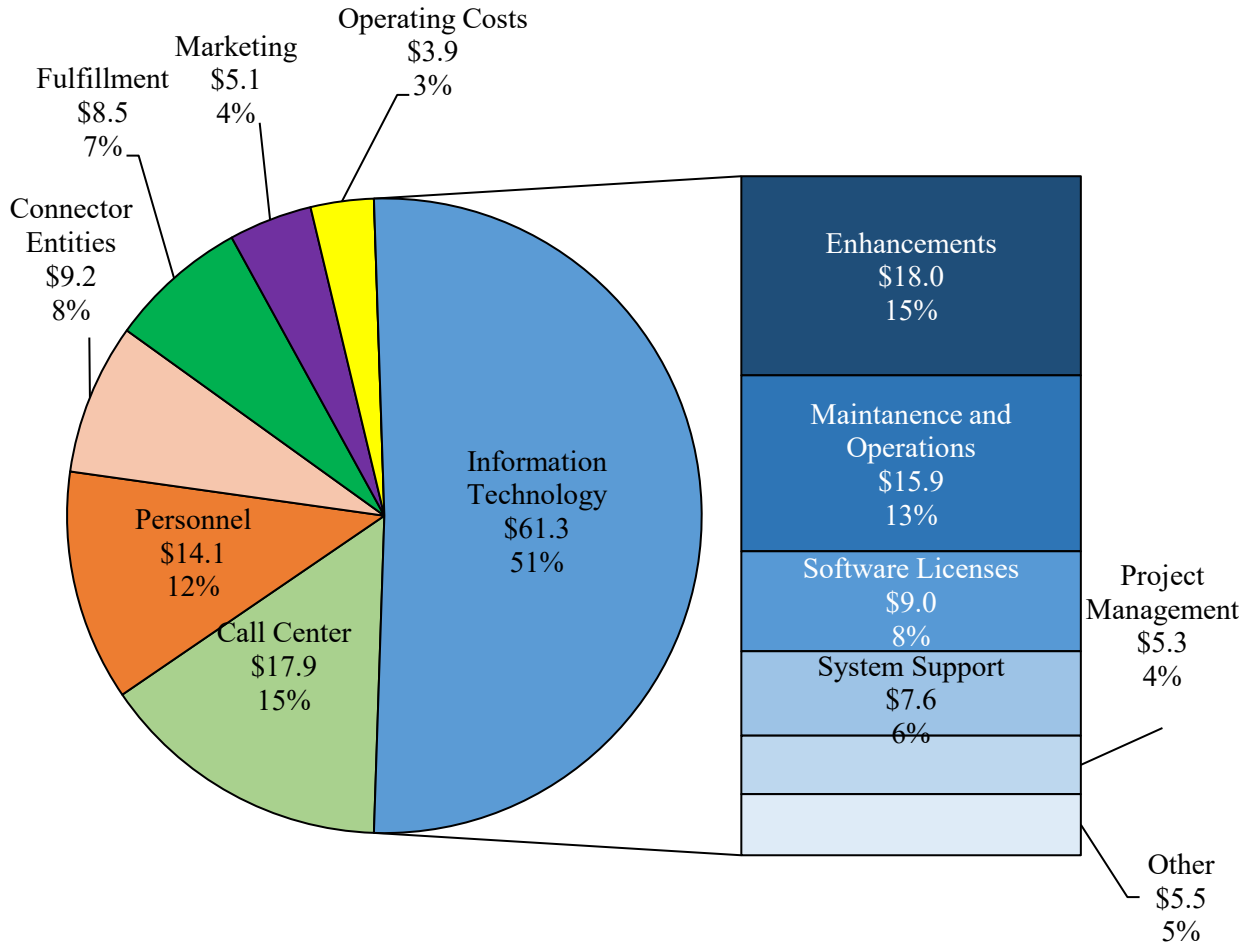


Note: The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Department of Budget and Management

Exhibit 2 shows the breakdown of the operating expenses of the agency. IT expenses total \$61.3 million mostly related to supporting MHC. Administrative expenses include \$50.8 million mostly to support activities that provide information to individuals on health insurance or help individuals enroll in health insurance. Administrative expenses total \$58.8 million and include spending on the call center and connector entities, which assist residents in enrolling in health insurance, fulfillment to send required notices and correspondences to MHC consumers, and marketing and outreach to make the public aware of the open enrollment period and to address changes related to the OBBBA.

Exhibit 2
Agency Spending for Information Technology and Administration
Fiscal 2027 Allowance
(\$ in Millions)



Note: The fiscal 2027 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

Proposed Budget Change

As shown in **Exhibit 3**, MHBE’s fiscal 2027 allowance increases by \$140.6 million compared to the fiscal 2026 working appropriation. The largest increase in the fiscal 2027 allowance is a \$79.6 million increase for reinsurance payments. Other changes result from federal regulation and funding changes and the State’s response to these changes, including (1) the implementation of a subsidy program to offset the impact of the loss of enhanced premium tax credits and (2) the implementation of changes to Medicaid eligibility and enrollment required by the OBBBA. The fiscal 2027 allowance includes an increase of \$40.1 million for Maryland Premium Assistance program, which incorporated the young adult subsidies.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2025 Actual	\$5,644	\$154,242	\$531,043	\$690,929
Fiscal 2026 Working	6,272	222,420	588,013	816,704
Fiscal 2027 Allowance	12,873	291,508	652,970	957,350
Fiscal 2026-2027 \$ Change	\$6,601	\$69,088	\$64,957	\$140,646
Fiscal 2026-2027 % Change	105.25%	31.06%	11.05%	17.22%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salary and associated fringe benefits for 12 new positions to implement requirements of OBBBA	\$1,435
Employee and retiree health insurance	414
Turnover rate increases from 3.6% to 5.8%	279
Salary increases and associated fringe benefits	-100
Reinsurance Program	
Reinsurance payments	79,751
State subsidies, including young adult subsidies	40,146
Implementation of OBBBA	
IT systems and software licenses to implement changes to eligibility operations	8,500
Call center increases to handle anticipated increase in calls	5,000
Fulfillment notices and appeals due to increased frequency of eligibility determinations	2,150

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Where It Goes:	<u>Change</u>
Marketing and outreach costs to make public aware of open enrollment period and OBBBA eligibility changes.....	800
IT	
Enterprise software licenses used for the platform that hosts MHC	1,350
IT contract for independent contractors that provide maintenance and operations services and system support for MHC increase due to 3% inflation	475
Customer relations management software used by call center to keep information involving communications with consumers that call for assistance with enrolling in health insurance	250
IT consultant for project management office costs for MHC	154
Maintenance and operations services for SHOP	70
IT consultants to develop enhancements for MHC	-32
Quarterly DoIT charge for use of the State of Maryland network.....	-50
MDBenefit software reduction due to taking over purchase of software	-300
Server utilization costs for the Shared Platform	-700
Administration	
Fulfillment notice increases	1,103
Grants to Connector Entities to help MHC enrollees understand and navigate options	162
Costs associated with increase of 1 contractual FTE position.....	86
UMBC Hilltop Institute studies relating to healthcare of Marylanders.....	60
Travel costs for board member conference attendance, including OBBBA conferences	42
Rent.....	20
SHOP administrative costs	6
Subscriptions.....	5
Foreign language translation services for call center workers to assist consumers enroll in a health insurance plan reduction to align with prior year spending....	-50
Reduction in marketing printing costs for promotional items to have sufficient resources in other areas	-65
Other call center adjustments.....	-91
State of Maryland cost allocations.....	-440
Other changes	215
Total	\$140,646

DoIT: Department of Information Technology
 FTE: full-time equivalent
 IT: information technology
 MHC: Maryland Health Connection

OBBBA: One Big Beautiful Bill Act
 SHOP: Small Business Health Options Program
 UMBC: University of Maryland Baltimore County

Note: Numbers may not sum to total due to rounding. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Funding Increases to Implement Medicaid Eligibility and Enrollment Changes

The OBBBA was signed into law on July 4, 2025, and included various changes to Medicaid eligibility and enrollment, including:

- increasing the frequency of redetermination from every 12 months to every 6 months for ACA expansion adults only,
- mandating work requirement reporting every 6 months for ACA expansion adults only,
- changing eligibility for certain immigrant populations for all Medicaid members, and
- adjusting the retroactive coverage period for all Medicaid members.

MHBE provides significant support for certain Medicaid eligibility and enrollment activities through agency funds and staff, with MHC enrolling approximately 85% of Medicaid consumers. MHBE supports Medicaid eligibility and enrollment through developing and maintaining MHC enrollment platform technology, call center, printing and mailing, consumer appeals, constituent services, and training functions. The fiscal 2027 allowance includes an increase of \$17.9 million in funding to implement changes required by the OBBBA, on top of the \$5.3 million for IT costs provided through the deficiency appropriation to implement revised federal Medicaid eligibility resulting from the OBBBA. In addition to IT costs, other OBBBA-related funding includes 12 new staff positions, marketing, call center contract costs, and fulfillment contract costs due to additional printing of notices.

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	73.00	79.00	91.00	12.00
Contractual FTEs	<u>5.00</u>	<u>0.00</u>	<u>1.00</u>	<u>1.00</u>
Total Personnel	78.00	79.00	177.00	98.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.59	5.80%
Positions and Percentage Vacant as of 12/31/25	1.66	2.10%
Vacancies Below Turnover	2.90	

- The fiscal 2027 allowance includes 12.0 new regular positions and 1.0 new contractual full-time equivalent position. All new regular positions are to support the implementation of requirements from the OBBBA, including 3.0 escalated case resolution coordinators, 3 appeals and grievance administrators, 3.0 constituent services coordinators, and 3 IT-related positions.
- As of December 31, 2025, MHBE only had 1.66 vacant positions, including an executive position and administrative officer position. The vacant positions are 2.90 below the 4.59 positions necessary to meet the budgeted turnover rate.

Key Observations

1. Federal Changes Impacting the Marketplace

In addition to changes to Medicaid eligibility requirements, the OBBBA and the Centers for Medicare and Medicaid Services (CMS) Marketplace Integrity Final Rule published on June 20, 2025, created significant changes in the marketplace. These changes restrict eligibility for market subsidies and add additional requirements for enrollment.

Households Entering in Special Enrollment Period Prohibited Financial Assistance

Under current law, Maryland offers a continuous Special Enrollment Period (SEP) for individuals with incomes below 150% of federal poverty level (FPL). The OBBBA prohibits households entering the market through this SEP from receiving a premium tax credit or cost-sharing reductions. Households would be able to receive a premium tax credit or cost-sharing reductions following the next open enrollment if they remain eligible. This change began for plan years after December 31, 2025, including the current plan year. Households entering the marketplace due to qualifying life events remain eligible to receive a premium tax credit and cost-sharing reductions.

Pre-enrollment Verification Effectively Ends Auto Renewals

Currently, new enrollees receive conditional eligibility, under which the enrollee can begin coverage and receive a premium tax credit for 90 days while submitting verification. In addition, returning enrollees who take no action are auto enrolled during open enrollment in the same or similar plan. The OBBBA requires certain information such as income, immigration status, and family size to be verified before receiving coverage or premium tax credits, which effectively prevents auto renewals. This change is effective for tax years after December 31, 2027. It is estimated that 77% of marketplace enrollees were auto renewed in calendar 2025.

End of Eligibility for Financial Assistance for Many Lawfully Present Immigrants

Currently, U.S. citizens and lawfully present immigrants are eligible to enroll in marketplace coverage and receive premium tax credits or cost-sharing reductions. The OBBBA disallows the receipt of premium tax credits for lawfully present individuals with incomes under 100% of FPL that are ineligible for Medicaid due to immigration status, effective January 1, 2026. This measure is estimated to impact approximately 20,000 individuals, many of whom are over 65 years of age. In addition, the OBBBA ends eligibility for financial assistance for some legally present individuals and limits financial assistance to only lawful permanent residents, Cuban and Haitian entrants, and Compact of Free Association migrants, effective January 1, 2027. This action is estimated to impact an additional 20,000 individuals. Through these actions, individuals would still be able to enroll in a QHP through MHC but would not receive any financial assistance.

End of Eligibility for Deferred Action for Childhood Arrivals Recipients

In May 2024, CMS published a final rule that changed 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. MHBE reported that 249 DACA recipients enrolled in a State health insurance plan for the 2025 plan year. However, the OBBBA ended eligibility for DACA recipients, and effective September 30, 2025, approximately 300 DACA recipients were disenrolled.

2. Implementation of the State-based Subsidy Program Due to Expiration of Enhanced Tax Credits

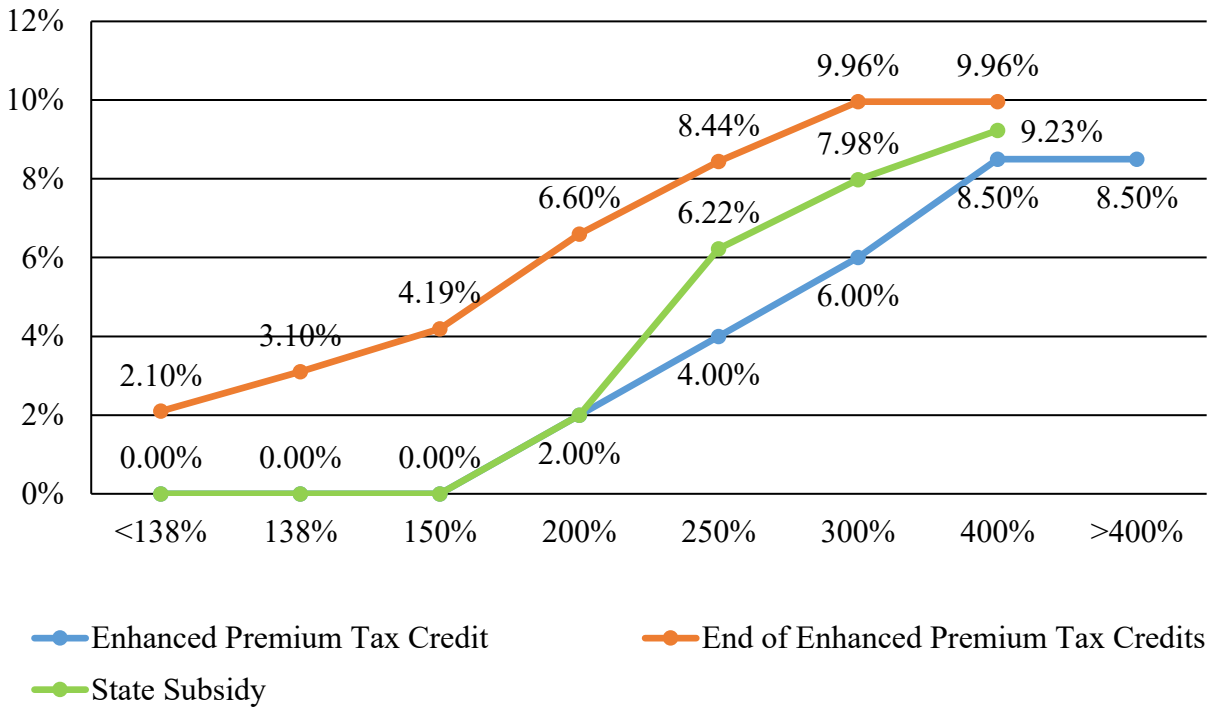
Enhanced Premium Tax Credits Expired at the End of Calendar 2025

A premium tax credit is a refundable credit that assists eligible individuals and families with cost of premiums for health insurance purchased through the health insurance marketplace. The premium tax credits are applied to a monthly insurance payment in the form of Advanced Premium Tax Credit. There are certain eligibility requirements, including income limits and citizenship status. Individuals are eligible for a premium tax credit with annual household incomes between 100% (138% for ACA expansion states) and 400% of the FPL. Additionally, eligibility was limited to U.S. citizens, U.S. nationals, and lawfully present individuals, defined as lawful permanent residents, asylees, refugees, and certain other noncitizens. The American Rescue Plan Act of 2021 implemented enhanced premium tax credits by removing the 400% FPL cap on eligibility for premium tax credits, leading to an increase in the number of enrollees qualifying for and receiving premium tax credits. The enhanced premium tax credits were further extended by the Inflation Reduction Act (IRA) of 2022. However, enhanced premium tax credits expired at the

end of calendar 2025, and as of the writing of this report, no legislation has been enacted to extend or reinstate these enhanced premium tax credits. With the end of the enhanced premium tax credits, the income for eligibility returns to its previous limits, resulting in fewer people qualifying for a premium tax credit. Other changes under the OBBBA impact eligibility for these credits for some previously eligible households or individuals as discussed in Key Observation 1.

Although the premium tax credits cover most of the cost of the premiums for individuals who receive them, individuals are required to contribute to paying a portion of the premium based on their FPL. In addition to expanding eligibility for premium tax credits to individuals over 400% of the FPL, the enhancement also lowered the amount that individuals under 400% of the FPL had to contribute to the premium. **Exhibit 4** shows the premiums paid as a percentage of income with and without the enhanced premium tax credit and with the State subsidy program. As shown, the enhanced premium tax credits offered the most generous tax credits, with the highest expected contribution being 8.5% of income for individuals at or over 400% of the FPL. With the end of the enhanced premium tax credits, expected contributions for each FPL category increase. However, the State Subsidy program lowers the expected contributions for all FPL categories compared to if the State Subsidy were not implemented and the expected contributions returned to the percentages prior to the enhancement.

Exhibit 4
Expected Contributions for Premiums as Percentage of Household Income



Source: Maryland Health Benefit Exchange; Department of Legislative Services

State Subsidy Program Implemented at the Beginning of Calendar 2026

The end of the enhanced premium tax credits led to significant increases in market premiums in calendar 2026, and there are ongoing concerns about the impact on health insurance enrollment. To address concerns about the impact of the end of enhanced premium tax credits on affordability, Chapter 468 authorized the implementation of the State-based Individual Insurance Subsidy program to provide subsidies for 2026 and 2027 plan years to partially replace the loss of enhanced premium tax credits to reduce the costs of premiums. The State subsidy program, called the Maryland Premium Assistance program, is intended to reduce the cost of premiums by providing subsidies to partially replace the loss of enhanced premium tax credits. The parameters for the program were approved in August 2025, and the program was implemented on January 1, 2026. Parameters for the program include:

- fully replacing enhanced tax credits up to 200% FPL,
- phase down from full enhanced tax credit replacement at 200% FPL to 50% replacement at 250% FPL,
- 50% replacement of enhanced tax credit at 250% to 400% FPL,
- no State subsidy above 400% FPL, and
- continue 2025 Young Adult Subsidy parameters.

Young Adult Subsidy Program Incorporated into State Subsidy Program

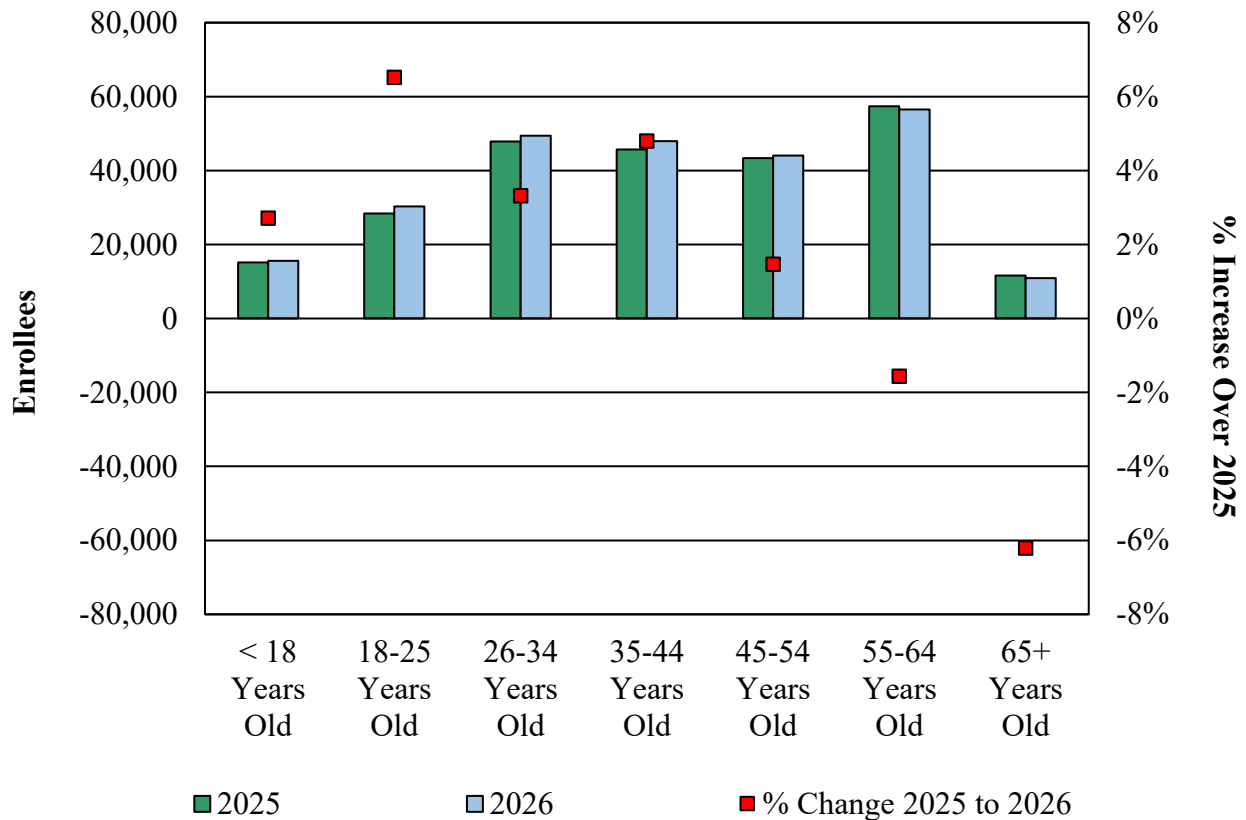
The State subsidy program incorporates young adult subsidies instead of operating the young adult subsidy program as a standalone program. Chapters 777 and 778 created the State-based Young Adult Health Insurance Subsidies Pilot Program for two years for calendar 2022 and 2023. Chapters 256 and 257 extended 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. Finally, Chapters 721 and 722 established the young adult subsidy program as a permanent program that MHBE is authorized but not required to implement.

Under the program, young adults ages 18 to 37 with incomes between 138% and 400% of the FPL 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.

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MHBE reported that in plan year 2025, over 66,000 young adults ages 18 through 37 benefited from young adult subsidies. As shown in **Exhibit 5**, MHBE experienced increases in enrollees in most age groups between the 2025 open enrollment period and the 2026 open enrollment period, although two age groups experienced decreases in enrollment. For the young adult age group from age 18 through 34, there was a 5% increase from the 2025 to 2026 open enrollment period. This is a much smaller increase for the young adult age group from the year prior, which experienced a 21% increase from the 2024 to 2025 open enrollment period. Overall, the biggest increases were 7% in the 18 to 25 age group and 5% in the 35 to 44 age group. Other age groups also had positive enrollment trends, with the under 18 age group and 26 to 34 age group each increasing by 3% and the 45 to 54 age group increasing by 1%. However, there were two age groups that decreased in enrollment, with the 65 and over age group decreasing by 6% and the 55 to 64 age group decreasing by 2%.

Exhibit 5
Enrollees in a Qualified Health Plan by Age
2025-2026 Open Enrollment Period

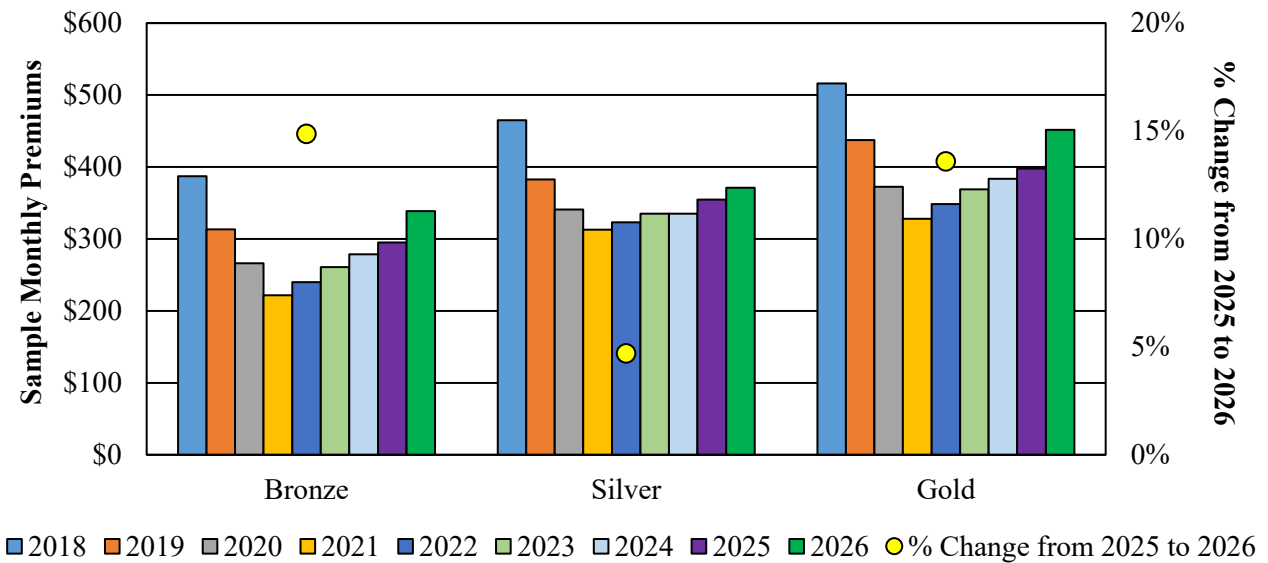


Source: Maryland Health Benefit Exchange

Significant Increases in Individual Market Rates in Calendar 2026

Availability of federal pass-through funds for the State Reinsurance Program (SRP) has substantially reduced individual market premium rates approved by the Maryland Insurance Administration (MIA). However, the individual market rates increased significantly for plan year 2026 for Gold, Silver, and Bronze plans. **Exhibit 6** provides examples of the monthly premiums for the plan year 2018 through 2026 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 sample monthly premiums provided by MIA increased by 14.9% for Bronze plans, 13.6% for Gold plans, and 4.7% for Silver plans in calendar 2026. For comparison, Bronze and Silver plans increased by 5.9% and Gold plans by 3.7% in calendar 2025. Despite the recent increases from calendar 2021 to 2026, sample monthly premiums for all three plans remain significantly lower in calendar 2026 than in calendar 2018, prior to the program’s implementation in calendar 2019. The sample monthly premiums for each metal level are between 12.5% and 20.2% lower in calendar 2026 than in calendar 2018.

Exhibit 6
Sample Monthly Premiums for a 40-year-old in a CareFirst BlueChoice Plan
Calendar 2018-2025

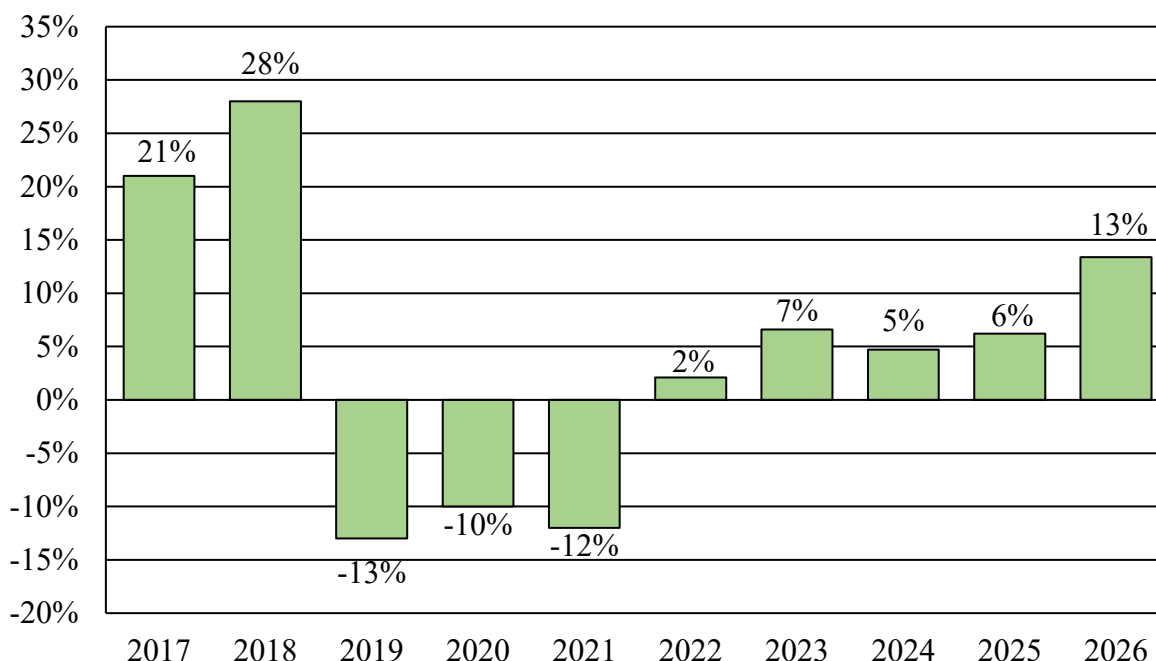


Note: Actual premiums will vary from sample rates based on carrier, plan, age, and other factors. These premiums represent samples of premiums without the Advanced Premium Tax Credit. The examples in this exhibit are for individuals living in the Baltimore Metro area (Anne Arundel, Baltimore, Harford,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

Source: Maryland Insurance Administration

Exhibit 7 shows the average individual market premium change across the 10-year period from calendar 2017 to 2026. 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. Although premiums increased in calendar 2017 and 2018, premiums significantly decreased in calendar 2019 when the reinsurance program was implemented. However, the premiums have generally increased since calendar 2022 with the largest increase being 13% in calendar 2026 due to the end of the enhanced premium tax credits.

Exhibit 7
Average Individual Market Premium Change
Calendar 2017-2026



Source: Maryland Health Benefit Exchange

Change in Metal Plan Enrollment

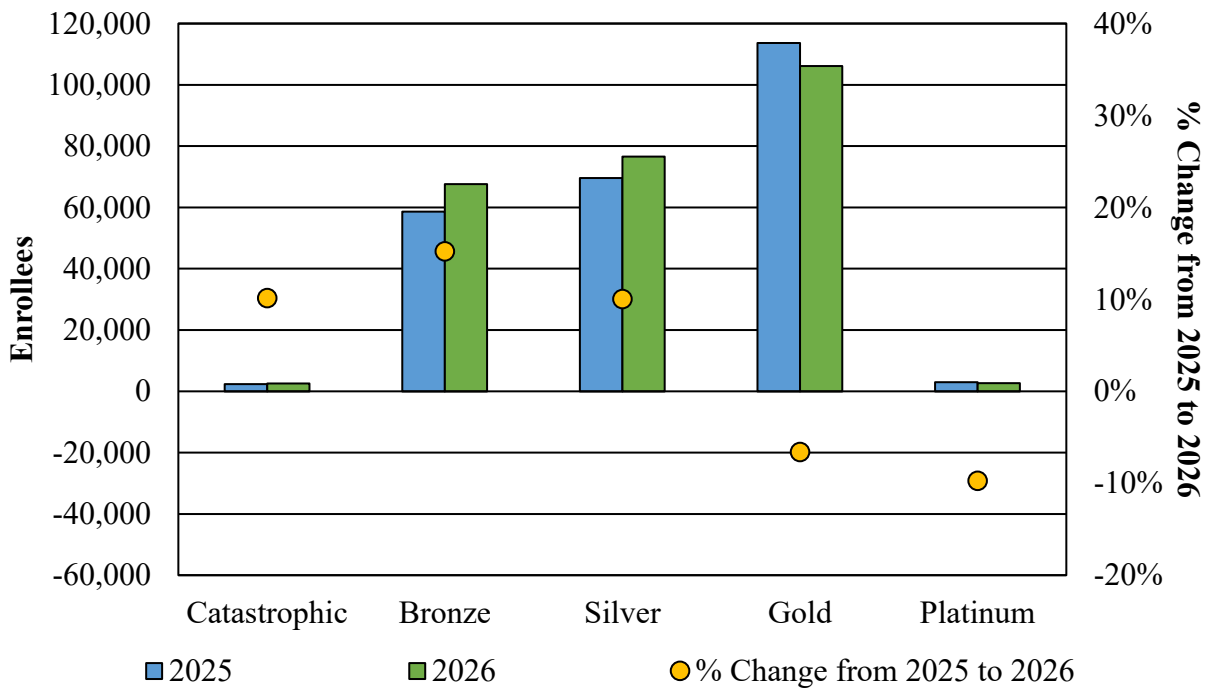
The increased cost of premiums could have also led individuals to choose more affordable plan levels with higher deductibles. Plans with lower premiums have higher deductibles, while plans with higher premiums have lower deductibles. Generally, metal plans differ in the portion that the insurance company pays on average, with premiums for metal plans increasing with the level of coverage offered. Metal plans include:

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- Bronze plan offering 60% insurance coverage,
- Silver plan offering 70% insurance coverage,
- Gold plan offering 80% insurance coverage, and
- Platinum plan offering 90% insurance coverage.

There is also a catastrophic plan that generally offers lower premiums for protection in the event of a major medical emergency but has higher out-of-pocket costs. Results from the 2026 open enrollment period show a higher enrollment in plans that are more affordable but provide less coverage. **Exhibit 8** shows the change in enrollment by metal plan from calendar 2025 to 2026. While enrollment in the Bronze plan increased by 15%, the catastrophic plan and Silver plan increased by 10% each, and enrollment in the Gold and Platinum plans decreased by 7% and 10%, respectively.

**Exhibit 8
Enrollment by Metal Plan
2025-2026 Open Enrollment Period**



Source: Maryland Health Benefit Exchange

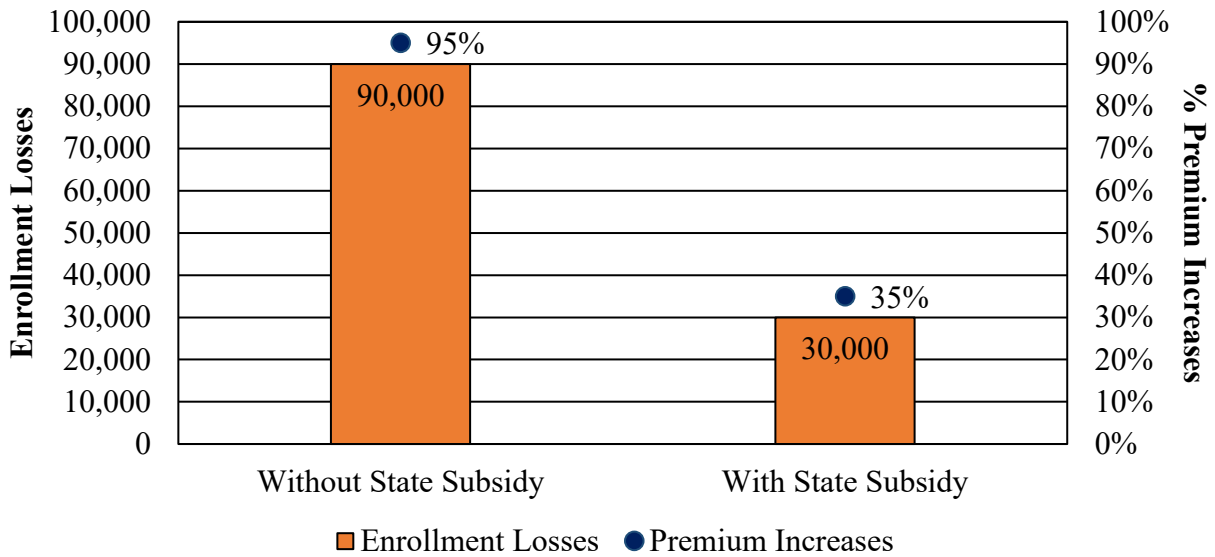
State-based Subsidy Program Mitigates Premium Increases and Enrollment Losses

The end of the enhanced premium tax credits was expected to have an impact on enrollment and affordability, with 190,000 enrollees losing some or all financial assistance for insurance. Although total enrollment increased in calendar 2026, there was a decrease in new enrollments and increase in disenrollments in calendar 2026. These trends are likely to be due to the impact of the loss of enhanced premium tax credits. Results from the open enrollment period for plan year 2026 show a total of 255,612 enrollments, which includes 234,338 renewed enrollments, 47,815 new enrollments, and 28,541 disenrollments. Although there has been an increase of 3.5% in total enrollments from the same date last year, the increase is driven by an 11.6% increase in renewed enrollments. By contrast, new enrollments decreased by 11.9% and disenrollments increased by 52.2%. The Department of Legislative Services (DLS) notes that disenrollments may also have been impacted by changes to eligibility that were effective January 1, 2026, under the OBBBA as discussed in Issue 1.

After the close of open enrollment, enrollees effectuate coverage after both selecting a plan and paying their first month's premium. Of the total 255,612 enrollments at the end of the open enrollment period, 225,626 enrollees have effectuated coverage, while 18,537 individuals have disenrolled or have been terminated, as of February 18, 2026. The remaining 11,449 enrollees have not yet effectuated. However, individuals who receive premium tax credits have a three-month grace period to pay their first month's premium to effectuate coverage, so the remaining enrollees are likely to reflect individuals still within this grace period.

The implementation of the State subsidy program has mitigated some of the impacts of the end of the enhanced premium tax credits on premium affordability and enrollment losses. Enrollment data as of January 15, 2026, shows that there were approximately 177,655 MHC consumers receiving the State subsidy, with an average subsidy of \$94 per member per month. **Exhibit 9** shows the estimated impact of the State subsidy in mitigating premium increases and enrollment losses for the 190,000 enrollees losing some or all financial assistance due to the end of the enhanced premium tax credits. MHBE reported that the average net premium increase for the 190,000 individuals receiving enhanced premium tax credits was 35% with the State subsidy, compared to the 95% anticipated increase without the State subsidy. The projected enrollment losses due to the loss of the enhanced premium tax credits were 30,000 with the State subsidy but would have been 90,000 without the subsidy.

Exhibit 9
Enrollment Losses and Premium Increases with and without State Subsidy
Plan Year 2026 Estimates



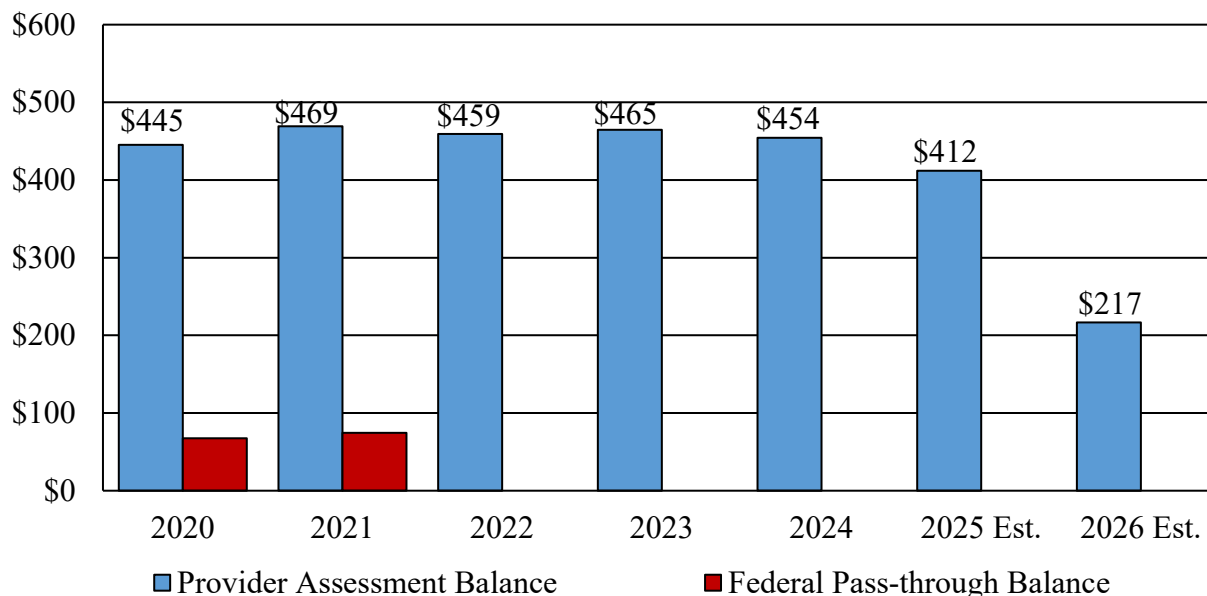
Source: Maryland Health Benefit Exchange; Department of Legislative Services

Program Cost and Funding Sustainability

For fiscal 2026, a budget amendment added \$52.3 million in special funds to cover subsidies provided through the State subsidy program for the first half of plan year 2026 (the second half of fiscal 2026). This amount was in addition to funding provided in the budget as enacted to support the Young Adult Subsidy of \$26.0 million. The fiscal 2027 allowance includes \$118.5 million to support the State subsidy program. However, estimated costs for the entirety of plan year 2027 are uncertain as they depend on the program parameters that are planned to be decided in summer 2026. **MHBE should discuss how the estimated costs for fiscal 2027 were determined given that the parameters have not been established for plan year 2027.**

The State subsidy program is supported by a 1% State provider fee assessment, which is the same funding source as the reinsurance program. As shown in **Exhibit 10**, the closing balance of the State provider fee assessment balance is expected to decrease significantly in fiscal 2026. As the State must demonstrate that it has funding to support its share of the reinsurance program, funds from the source must remain available for that purpose, which limits the future use of this source in supporting ongoing replacements. It is unclear whether the balance of funds from the State assessment will be high enough to ensure program solvency through the end of the waiver period in calendar 2028, which is also the current sunset of the reinsurance fee. **MHBE should discuss how it will ensure that the reinsurance program has sufficient funding to meet obligations while implementing the State subsidy program.**

Exhibit 10
Closing Balance of Federal Pass-through Dollars and State Provider Fee
Calendar 2020-2026 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

3. Reinsurance Program and Forecast

Reinsurance is insurance for carriers that protects against significant losses. Chapters 6 and 7 of 2018 established the SRP to address rising health insurance premiums in Maryland. It required MHBE to apply for a State Innovation Waiver under §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.

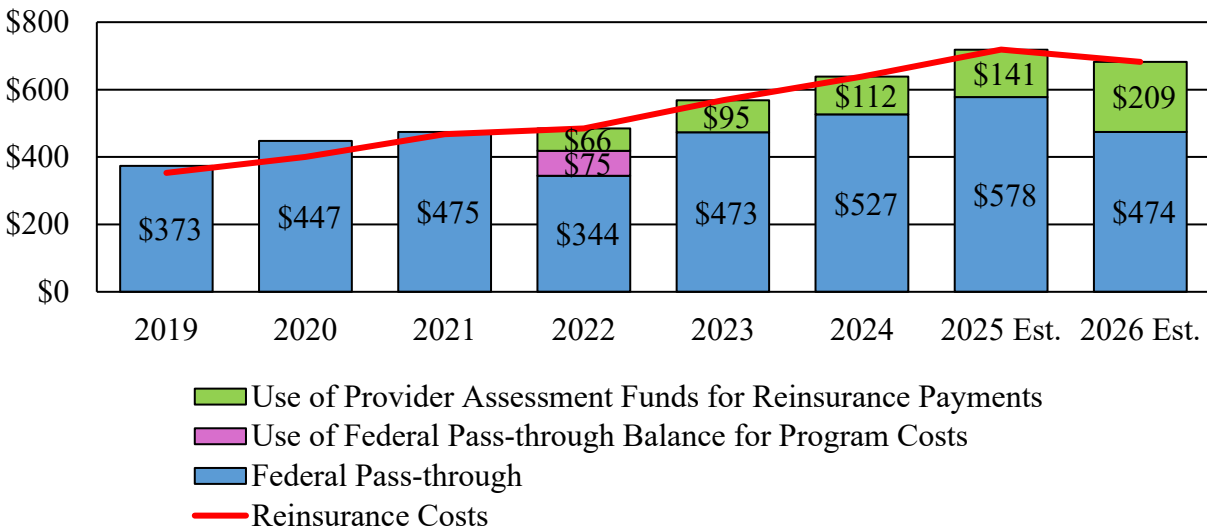
Beginning in the 2019 plan year, the SRP provides reinsurance to carriers offering individual health benefit plans. Carriers that incurred a total annual claims cost on any individual between a \$20,000 attachment point (the dollar amount of insurer costs above which an insurer is

eligible for reinsurance) and a cap of \$250,000 are to be reimbursed for 80% of those claims’ costs. The attachment point increased from \$21,000 for plan year 2025 to \$24,000 for plan year 2026.

Calendar 2024 Costs 6.8% Higher Than Anticipated

Committee narrative in the 2025 *Joint Chairmen’s Report* (JCR) requested that MHBE submit a report on the funding and forecasted financial situation of the SRP. **Exhibit 11** shows the actual and estimated reinsurance costs and federal pass-through allotment from calendar 2020 through 2026. Actual payments to carriers in calendar 2024, which were finalized in July 2025 (\$638.9 million) were higher than actuary estimates (\$598 million) by 6.8%. Total program costs for calendar 2024 (paid in fiscal 2026) demonstrate an increase of approximately \$71.1 million over program costs in calendar 2023 (paid in calendar 2025). Reinsurance program costs continue to increase in calendar 2024 and 2025 due to increasing enrollment in the individual market and medical trends. Reinsurance costs are expected to decrease in calendar 2026 due to fewer people qualifying for a premium tax credit. With the end of federal subsidies under the IRA in calendar 2025, the forecasted premium tax credit enrollment declines from 218,547 in calendar 2025 to 142,344 in calendar 2026.

Exhibit 11
Federal Pass-through Revenues Relative to Reinsurance Costs
Calendar 2020-2026
(\$ in Millions)



Note: Reinsurance costs represent an estimate from calendar 2025 through 2026. Federal pass-through payments are actual through calendar 2024 and estimates from calendar 2025 through 2026. Assumes enhanced subsidies provided under the Inflation Reduction Act expire after calendar 2025.

Source: Maryland Health Benefit Exchange; Department of Legislative Services

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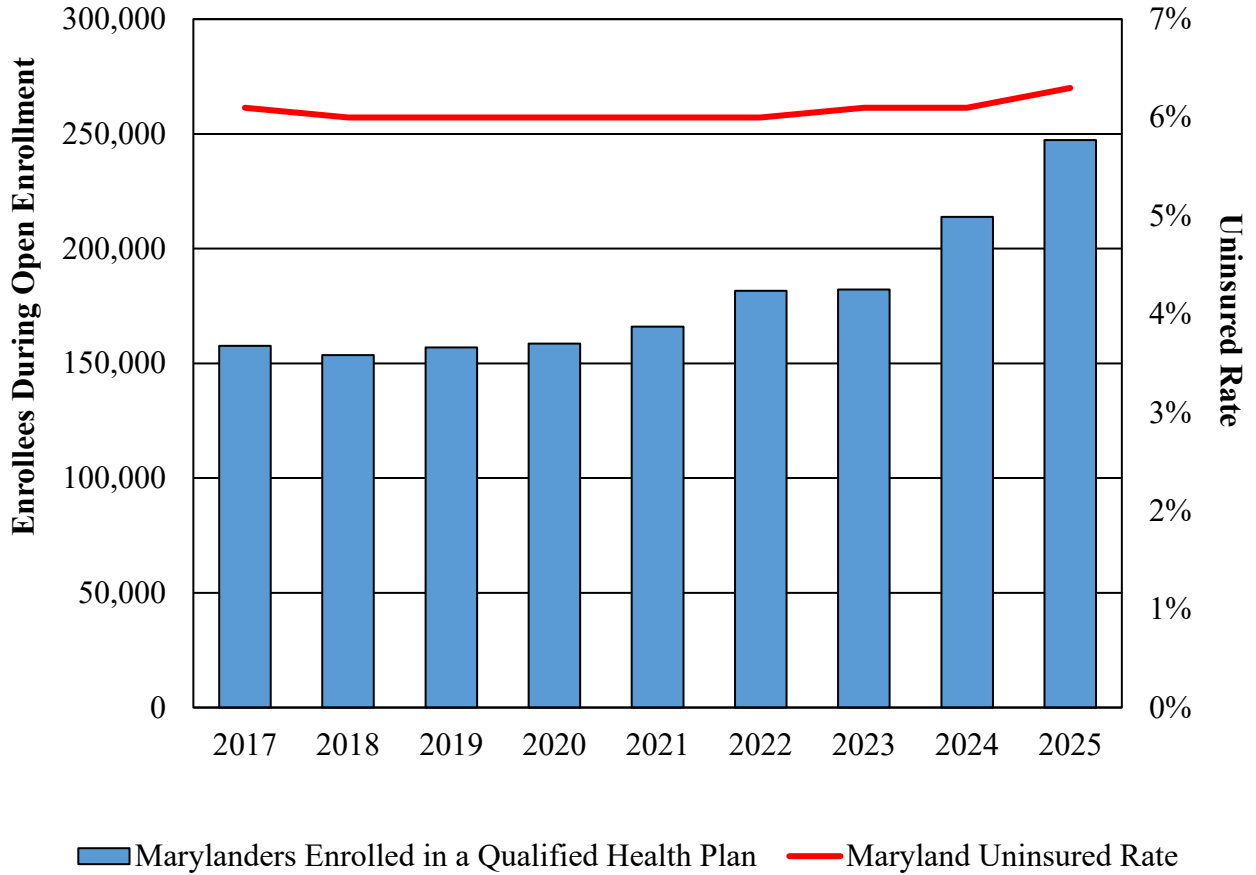
From calendar 2021 to 2022, federal pass-through funding decreased by 27% from \$475 million to \$344 million primarily due to the impact of a third carrier entering the market, which lowered federal spending on premium tax credits. The extension of the enhanced premium tax credits through calendar 2025 by the IRA also increased federal pass-through funding in calendar 2023 through 2025, relative to if they had not been extended. In calendar 2023, federal pass-through funds increased by 37% to \$473 million (8% higher than projected), and in calendar 2024, federal pass-through funding increased by 11%, to \$527 million in calendar 2024 (11% higher than projected). Federal pass-through funding increased further by 10% to \$578 million in calendar 2025 (5% higher than projected). However, federal pass-through funding is estimated to decline significantly in calendar 2026 with the expiration of the enhanced premium tax credits. The actual amount of pass-through funds is likely to be announced later this spring.

Program costs began to exceed federal funding in calendar 2022, requiring MHBE to 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 are expected to support more than a third of reinsurance costs beginning in calendar 2026.

4. Marketplace Enrollment and State Uninsured Costs

As shown in **Exhibit 12**, enrollment in a QHP increased in plan year 2025, with total enrollment of 247,243 (an increase of 33,348), or 15.6%, since calendar 2024. Enrollment in a QHP has shown year-over-year growth since calendar 2018, marking the eighth consecutive year of enrollment growth. QHP enrollment has been growing over the past few calendar years due to SEPs 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 increased slightly from 6.1% in calendar 2024 to 6.3% in calendar 2025. For plan year 2025, Aetna Health exited the individual market in Maryland, in addition to all other states in which they operate.

Exhibit 12
Maryland Health Connection Enrollment
Calendar 2017-2025



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

Operating Budget Recommended Actions

1. **Reinsurance and State Subsidy Program Costs and Forecasts:** The committees are interested in monitoring the costs of the State Reinsurance Program and State Subsidy 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 for both programs, including estimated costs through calendar 2028.

Information Request	Author	Due Date
Reinsurance and State Subsidy program costs and forecasts	MHBE	September 30, 2026

Updates

- **Qualified Resident Enrollment Program Delayed:** 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.

In calendar 2025, Maryland was approved for a waiver that allowed individuals to receive coverage (though not premium tax credits or cost-sharing reductions) regardless of immigration status. However, in October 2025, the MHBE board approved submission of an updated plan delaying the implementation of the new eligibility rules until open enrollment for plan year 2028 due to workload capacity constraints caused by federal actions. CMS approved the updated plan in December 2025.

- **Funding for Child Care Providers Survey and Outreach:** Language in the fiscal 2026 Budget Bill restricted \$250,000 in special funds from the Child Care Capital Support Revolving Loan Fund for a transfer to MHBE, contingent on legislation, which was enacted with Chapter 679 of 2025. MHBE was to use the funds for an outreach campaign to help child care workers enroll in health insurance and conduct a survey about the availability of health insurance among child care providers. MHBE has submitted the report but no amendment has been submitted for legislative review. Following the 2025 session, however, further research determined that the Child Care Capital Support special fund cannot be used for this purpose under the statute. The DLS recommendation for this item can be found in the analysis for T00 – Department of Commerce.

Appendix 1
2025 Joint Chairmen’s Report Responses from Agency

The 2025 JCR requested that MHBE prepare one report. 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 3.

Appendix 2
Object/Fund Difference Report
Maryland Health Benefit Exchange

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Work Approp.</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
Positions					
01 Regular	73.00	79.00	176.00	97.00	122.8%
02 Contractual	5.00	0.00	1.00	1.00	N/A
Total Positions	78.00	79.00	177.00	98.00	124.1%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$12,319,063	\$12,013,069	\$14,040,932	\$2,027,863	16.9%
02 Technical and Special Fees	407,404	0	86,402	86,402	N/A
03 Communications	43,588	42,286	42,286	0	0.0%
04 Travel	22,680	40,000	82,000	42,000	105.0%
08 Contractual Services	667,667,224	794,064,636	932,368,024	138,303,388	17.4%
09 Supplies and Materials	2,791	6,500	6,151	-349	-5.4%
10 Equipment – Replacement	1,244	0	0	0	N/A
11 Equipment – Additional	85,458	450,000	450,000	0	0.0%
12 Grants, Subsidies, and Contributions	9,372,136	9,082,239	9,244,359	162,120	1.8%
13 Fixed Charges	1,007,059	1,005,391	1,030,196	24,805	2.5%
Total Objects	\$690,928,647	\$816,704,121	\$957,350,350	\$140,646,229	17.2%
Funds					
01 General Funds	\$5,643,870	\$6,271,672	\$12,872,689	\$6,601,017	105.3%
03 Special Funds	154,242,276	222,419,764	291,507,604	69,087,840	31.1%
05 Federal Funds	531,042,501	588,012,685	652,970,057	64,957,372	11.0%
Total Funds	\$690,928,647	\$816,704,121	\$957,350,350	\$140,646,229	17.2%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.