

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 701

(Senator Beidle)

Finance

Health and Government Operations

**Maryland Health Benefit Exchange – State–Based Young Adult Health
Insurance Subsidies Pilot Program – Amount of Annual Subsidies**

This emergency bill alters the amount of funds that the Maryland Health Benefit Exchange (MHBE) may designate for annual subsidies under the State-Based Young Adult Health Insurance Subsidies Pilot Program. For calendar 2024 and 2025, MHBE may designate up to \$20.0 million, plus any unspent funds designated for such subsidies in a previous calendar year, to be used for the pilot program.

Fiscal Summary

State Effect: MHBE special fund expenditures may increase in FY 2025 and 2026 to the extent unspent funds from prior years are used to provide subsidies; however, there is no net increase in spending above the initial allocation to the pilot program. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Through the Maryland Health Connection, Maryland residents can shop for health insurance plans, compare rates, and determine their eligibility for federal advanced premium tax credits, cost-sharing reduction plans, and public assistance programs such as Medicaid.

The MHBE Fund generally provides funding for the operation and administration of MHBE, the State Reinsurance Program, and the State-Based Young Adult Health Insurance Subsidies Pilot Program. The fund may also be used for other specified appropriations, including \$15.0 million in fiscal 2023 through 2025 to the Maryland Health Equity Resource Community Reserve Fund. The MHBE Board must maintain a separate account within the fund for the State-Based Young Adult Health Insurance Subsidies Pilot Program.

Chapters 777 and 778 of 2021 required MHBE to establish and implement the State-Based Young Adult Health Insurance Subsidies Pilot Program for calendar 2022 and 2023 to help make health insurance more affordable for uninsured young adults. Subject to available funds, MHBE was authorized to designate funds from the MHBE Fund, in fiscal 2022 through 2024, to be used for the pilot program so that no more than \$20.0 million in annual subsidies may be provided in calendar 2022 and 2023.

Chapters 256 and 257 of 2023 extended the termination date of the program by two additional years to June 30, 2026, and authorized MHBE to designate funds from the MHBE Fund in fiscal 2025 and 2026 to provide up to \$20.0 million in annual subsidies to young adults under the pilot program.

For calendar 2024, young adults ages 18 to 37 with incomes up to 400% of the federal poverty level 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% each year and individuals ages 34 to 38 by 0.5% each year.

State Expenditures: MHBE advises that the program underspent allocated funds by \$12.9 million during its first two calendar years of operation (\$6.1 million in calendar 2022, and \$6.8 million in calendar 2023). For calendar 2024, the program has experienced higher than projected enrollment following the resumption of Medicaid redeterminations and a strong open enrollment season. If the program remains open to new enrollees throughout calendar 2024, program expenditures are estimated to total \$22.5 million. To manage within the current funding limits (no more than \$20.0 million in subsidies annually), MHBE would likely close the program to new enrollment or make a mid-year reduction in subsidy amounts.

The bill authorizes MHBE to use any unspent funds designated for prior years of the program for subsidies in calendar 2024 and 2025. Thus, approximately \$12.9 million would be available from calendar 2022 and 2023 to provide subsidies in calendar 2024 and 2025. To the extent these funds are used under the bill, MHBE special fund expenditures increase in fiscal 2025 and/or 2026. However, there is no net increase in expenditures for the program beyond the funding initially allocated for the pilot program.

In the absence of the bill, unspent funds would remain in the MHBE Fund, which is a special nonlapsing fund, and be available for the State Reinsurance Program or other authorized uses.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced in the last three years.

Designated Cross File: HB 953 (Delegate Pena-Melnyk, *et al.*) - Health and Government Operations.

Information Source(s): Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2024
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