

**Department of Legislative Services**  
 Maryland General Assembly  
 2021 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 729  
 Finance

(Senator Feldman)

Health and Government Operations

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

This bill requires the Maryland Health Benefit Exchange (MHBE), in consultation with the Insurance Commissioner and as approved by the MHBE board, to establish and implement a State-Based Young Adult Health Insurance Subsidies Pilot Program. Subject to available funds, in fiscal 2022 through 2024, MHBE may designate funds from the MHBE Fund 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. By January 1, 2022, MHBE must adopt regulations implementing the program. MHBE must track specified information about the pilot program, which must be posted on the MHBE website and included in the MHBE annual report. **The bill takes effect July 1, 2021, and terminates June 30, 2024.**

**Fiscal Summary**

**State Effect:** MHBE special fund expenditures increase by \$291,000 in FY 2022, and \$171,000 in FY 2023 and 2024, for information technology changes that can likely be absorbed within existing budgeted resources (and, thus, are not reflected below). Special fund expenditures further increase by as much as \$10.0 million in FY 2022, \$20.0 million in FY 2023, and \$10.0 million in FY 2024 to provide subsidies as specified under the bill. General fund revenues are affected only to the extent reversions are lower than they otherwise would be (not shown below).

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	10,000,000	20,000,000	10,000,000	0	0
Net Effect	(\$10,000,000)	(\$20,000,000)	(\$10,000,000)	\$0	\$0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** None.

---

## **Analysis**

**Bill Summary:** The pilot program must be designed to reduce the amount that young adults pay for health benefit plans in the individual health insurance market and target young adults who are not directly impacted by the State Reinsurance Program.

MHBE, in consultation with the Insurance Commissioner and as approved by the MHBE board, must establish eligibility and payment parameters for calendar 2022 and 2023. In determining the parameters, MHBE must consider (1) young adults between 18 and 40 years of age and (2) income groups between 133% and 400% of the federal poverty level. For 2021, this equates to income for a single individual ranging from \$17,130 to \$51,520.

The purpose and allowed uses of the MHBE Fund are expanded to include providing funding for the establishment and operation of the pilot program. The MHBE Fund includes any funds designated by the State to provide State-based health insurance subsidies to young adults in the State. The MHBE board must maintain a separate account within the fund for the pilot program. Administration and operation of the pilot program may include functions delegated by MHBE to a third party.

The bill specifies that any pass-through funds received from the federal government under a specified waiver may be used only to provide reinsurance to carriers that offer individual health benefit plans in the State.

**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. MHBE is funded in part from a mandated \$35.0 million diversion of premium tax revenues that would otherwise go to the general fund. However, any of these special funds that remain unspent at fiscal year closeout revert to the general fund. In recent years, MHBE has not spent all of the mandated appropriation.

Chapters 37 and 38 of 2018 established a health insurance provider fee assessment on specified entities for calendar 2019 only. In addition to other amounts due, an insurer, a nonprofit health service plan, a health maintenance organization, a dental plan

organization, a fraternal benefit organization, a Medicaid managed care organization, and any other person subject to State regulation that provides a product that is subject to a specified federal fee was subject to an assessment of 2.75% on all amounts used to calculate the entity's premium tax liability or the amount of the entity's premium tax exemption value for calendar 2018. The purpose of the assessment was to recoup the aggregate amount of the health insurance provider fee that otherwise would have been assessed under the federal Patient Protection and Affordable Care Act that was attributable to State health risk for calendar 2019 as a bridge to stability in the individual market.

Chapters 597 and 598 of 2019 extended the health insurance provider fee assessment through calendar 2023. In calendar 2020 through 2023, the amount of the assessment must be 1% on all amounts used to calculate the entity's premium tax liability for the immediately preceding calendar year.

Assessment revenue is distributed to the MHBE Fund, which may be used only for the operation and administration of MHBE and for the establishment and operation of the State Reinsurance Program.

Chapters 104 and 105 of 2020 required MHBE to submit a report to the Senate Finance and House Health and Government Operations committees on the potential design, implementation, and effects of establishing State-based, individual market health insurance subsidies in Maryland, as well as an analysis of the appropriate allocation of available funding between subsidies and reinsurance. MHBE worked with Lewis & Ellis Actuarial Consultants, in consultation with the Maryland Insurance Administration (MIA), to model the design and impact of State subsidies on the populations targeted, the individual market overall, and the reinsurance program. Lewis & Ellis produced a report detailing their evaluation, which MHBE published for public comment in October 2020. To gather additional feedback on the proposed subsidy designs, MHBE formed an individual subsidy workgroup. On December 1, 2020, MHBE submitted the [report](#) required under Chapters 104 and 105, which incorporates the Lewis & Ellis analysis, public comments, and the workgroup report (which recommended a subsidy be targeted to young adults).

## **State Expenditures:**

### *Administrative Expenses*

MHBE special fund expenditures increase by \$291,000 in fiscal 2022, which accounts for the bill's July 1, 2021 effective date. This estimate reflects the cost of implementing changes to the eligibility and enrollment platform to calculate subsidies, including system changes, programming, and testing. Ongoing maintenance of these changes is estimated at \$171,000 in fiscal 2023 and 2024. These administrative costs can be absorbed within the

existing \$35.0 million annual appropriation for MHBE as the mandated appropriation has not been fully spent in recent years.

The Department of Legislative Services (DLS) notes that the Budget Reconciliation and Financing Act (BRFA) of 2021 includes a provision that reduces the annual mandated appropriation to MHBE from \$35.0 million to \$32.0 million beginning in fiscal 2022. The Governor's proposed fiscal 2022 budget includes a \$3.0 million special fund reduction and a \$4.16 million federal fund reduction, contingent on legislation altering the mandate.

### *Designated Funds*

Subject to available funds, MHBE may designate funds from the MHBE Fund so that up to \$20.0 million in annual subsidies may be provided. Thus, special fund expenditures increase by as much as \$10.0 million in fiscal 2022 to provide six months of subsidies for the pilot program for the first half of calendar 2022. In fiscal 2023, special fund expenditures increase by as much as \$20.0 million to provide subsidies for the pilot program for the second half of calendar 2022 and the first half of calendar 2023. In fiscal 2024, special fund expenditures increase as much as \$10.0 million to provide subsidies for the pilot program for the second half of calendar 2023. The pilot program terminates at the end of fiscal 2024.

Based on 2019 and 2020 health insurance provider fee assessment collections, the estimated balance of the MHBE Fund is \$446.0 million. As of July 2020, annual revenues to the fund are estimated by MIA to be \$112.6 million in calendar 2021, \$118.9 million in calendar 2022, and \$125.6 million in calendar 2023 (the assessment ends after calendar 2023).

DLS notes that the BRFA of 2021 also includes a provision that requires transfers, in each of fiscal 2021 through 2026, of \$100.0 million of health insurance provider fee assessment revenue to Medicaid, with the remaining revenue provided to the MHBE Fund. The Governor's proposed fiscal 2022 budget includes general fund reductions of \$100.0 million in fiscal 2021 and 2022, contingent on legislation authorizing the transfer. In addition, the Governor's proposed fiscal 2022 budget includes a \$100.0 million special fund fiscal 2021 deficiency appropriation, contingent on legislation authorizing the transfer.

---

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 780 (Delegate Kerr) - Health and Government Operations.

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

**Fiscal Note History:** rh/ljm  
First Reader - February 18, 2021  
Third Reader - March 18, 2021  
Revised - Amendment(s) - March 18, 2021

---

Analysis by: Jennifer B. Chasse

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510