

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 601
 Finance

(Senator Feldman, *et al.*)

Health and Government Operations

Maryland Health Benefit Exchange - State-Based Young Adult Health Insurance
 Subsidies Pilot Program - Sunset Extension

This bill extends the termination date of the State-Based Young Adult Health Insurance Subsidies Pilot Program by two additional years. Subject to the availability of funds, in fiscal 2024 through 2026, the Maryland Health Benefit Exchange (MHBE) may designate funds from the MHBE Fund to provide up to \$20.0 million in annual subsidies to young adults under the pilot program. MHBE, in consultation with the Maryland Insurance Administration (MIA), must conduct a study and submit a report, as specified, by December 1, 2024. **The bill takes effect July 1, 2023; the pilot program terminates June 30, 2026.**

Fiscal Summary

State Effect: MHBE special fund expenditures for young adult subsidies continue through FY 2026; specifically, special fund expenditures increase by *as much as* \$10.0 million in FY 2024, *as much as* \$20.0 million in FY 2025, and *as much as* \$10.0 million in FY 2026, as discussed below. General fund revenues are affected only to the extent reversions are lower than they otherwise would be (not shown below).

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	10.0	20.0	10.0	0	0
Net Effect	(\$10.0)	(\$20.0)	(\$10.0)	\$0.0	\$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: MHBE, in consultation with MIA, must conduct a study of (1) available federal and State subsidies; (2) the State's § 1332 waiver and whether it should be amended to include young adults or otherwise to maximize federal pass-through funds and impact the largest number of individuals so as to reduce the State's uninsured rate; and (3) the number of individuals who signed up for health insurance through MHBE because of the young adult subsidy. MHBE must submit a report on its findings and recommendations to the Senate Finance Committee and the House Health and Government Operations Committee by December 1, 2024.

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 \$32.0 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.

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, 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.

Under the program, young adults ages 18 to 34 with incomes between 138% and 400% of the federal poverty level (FPL) are eligible for State premium assistance subsidies. Subsidies are allocated to reduce the maximum expected premium contribution of individuals ages 18 to 30 by 2.5%. For individuals ages 31 to 34, the subsidy is progressively lower for each age, reducing the maximum expected contribution by 0.5% each year.

State Expenditures: MHBE advises that, as the young adult subsidies are already established and operational, no additional personnel are needed nor are additional costs anticipated to continue the pilot program for two additional years. Any ongoing information technology maintenance costs can be absorbed within MHBE's existing budget. MHBE, in consultation with MIA, can conduct the required study and submit its findings and recommendations using existing budgeted resources.

Subject to available funds, MHBE may continue to designate funds from the MHBE Fund so that up to \$20.0 million in annual subsidies may be provided in calendar 2024 and 2025. Thus, special fund expenditures increase by *as much as* \$10.0 million in fiscal 2024 to provide subsidies for the program for the first half of calendar 2024. In fiscal 2025, special fund expenditures increase by *as much as* \$20.0 million to provide subsidies for the second half of calendar 2024 and the first half of calendar 2025. In fiscal 2026, special fund expenditures increase by *as much as* \$10.0 million to provide subsidies for the second half of calendar 2025.

Actual expenditures will vary based on the number of individuals who enroll in the program and any future changes to eligibility and payment parameters for the subsidies. MHBE advises that, in calendar 2022, 45,000 young adults received a subsidy at a preliminary cost to the State of \$13.9 million. In calendar 2023, 48,095 young adults are projected to receive subsidies at a cost of \$17.9 million.

The fiscal 2024 budget as passed by the General Assembly includes \$10.0 million for the young adult subsidy program. This reflects an anticipated decrease of \$10.0 million over fiscal 2023 as the pilot program is intended to provide subsidies through calendar 2023 only and is set to terminate June 30, 2024.

Additional Comments: MHBE advises that the young adult subsidy pilot program reduced net premiums for young adults by 34%, an average of \$36 per month. As of January 31, 2022, the number of young adults in active coverage increased 11% over the prior year, the largest increase in four years. MHBE is in the process of further assessing the impact of the pilot program.

Additional Information

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

Designated Cross File: HB 814 (Delegate Kerr, *et al.*) - Health and Government Operations.

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

Fiscal Note History:
km/ljm

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