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House Bill 780 - Maryland Health Benefit Exchange – State-Based Young Adult Health Insurance Subsidies Pilot Program

Position: Favorable with Amendments

Thank you for the opportunity to provide written comments on House Bill 780. This bill establishes the State-Based-Young Adult Health Insurance Subsidies Pilot Program (“the Subsidy Program”). The Maryland Health Benefit Exchange (“MHBE”), in consultation with the Insurance Commissioner (“Commissioner”) and as approved by the MHBE Board (“the Board”), shall establish, and implement the Subsidy Program to provide subsidies to young adults who are not directly impacted by the State Reinsurance Program (“the Reinsurance Program”) for the purchase of health benefit plans in the individual market for calendar years 2022 and 2023. In determining the subsidy eligibility and payment parameters the MHBE shall consider: (1) young adults at least 18-years old and under 41 years; and (2) income groups between 133% and 140% of the Federal Poverty Level (“FPL”). It is our understanding that an amendment will be proposed to modify the income eligibility for the Subsidy Program in this bill to between 138% and 400% FPL.

CareFirst is committed to driving the transformation of the healthcare experience with and for our members and communities, with a focus on quality, equity, affordability, and access to care. While CareFirst supports additional efforts to stabilize Maryland’s individual market and increase access to comprehensive, affordable healthcare, including through targeted, cost effective subsidies, we want to emphasize that the Reinsurance Program is the primary stabilizing force in the individual market, restoring market rates to below 2018 levels, and growing enrollment each year the program has been in effect. The Reinsurance Program is also extraordinarily cost effective for the state due the leveraging of significant federal funding to support the program. The state must take care to ensure that the Subsidy Program is complementary to the Reinsurance Program and does not negatively impact the effect of reinsurance on individual market stability.

As the committee considers House Bill 780, we urge careful consideration of the following questions to ensure that the Subsidy Program is complementary to the Reinsurance Program:

- Will there be any Federal changes to existing Affordable Care Act (ACA) subsidies? We anticipate that Congress will take action in the next month to significantly increase premium subsidies. Any federal changes should be analyzed against the Subsidy Program as proposed, as prior analysis of the Subsidy Program did not consider the prospect of enhanced federal subsidies.
- Are there state dollars available to fund subsidies in light of the FY 2022 Budget? The Budget Reconciliation and Financing Act of 2021 (HB 589/ SB 493) would require the transfer of \$100 million in each fiscal year, 2021 through 2026, from the assessment created for the Reinsurance Program, to Medicaid. Such a transfer would substantially reduce or eliminate the funds available for the Subsidy Program.
- Will the Federal government alter its pass-through funding methodology moving forward for Maryland? CareFirst expects the 2022 state-based reinsurance funding estimate to be provided by CMS in the next six weeks. It will be the first estimate CMS has provided with a full understanding of the state commitments to the Reinsurance Program. If CMS alters its funding methodology for Maryland, this could reduce the funds available for the Subsidy Program.

- *Will Maryland dedicate additional funds for a second state-based reinsurance waiver term?* Without a second waiver term for the Reinsurance Program, individual rates will spike, and the market will revert to its state in 2018. A second waiver term is necessary to ensure the long-term stability of the individual market. If additional state funds are not appropriated to a second waiver term, the existing state surplus funds will need to be used to fund a second term of the waiver for the Reinsurance Program.

While CareFirst supports the Subsidy Program for young adults age 18 to 40 as an appropriate, measured step to further stabilize the individual market, we strongly recommend a delayed effective date to 2023 to enable due consideration and impact of the questions above, including potential federal changes to subsidies and the federal reinsurance pass-through calculation, as well as state budget considerations. Moreover, a delayed effective date will allow for consideration of an appropriate implementation timeline for the Subsidy Program. Distinct from the federal subsidy program, implementation of the state subsidy program will require technical changes to ensure appropriate segregation of federal and state funds.

We urge the adoption of an amendment to the implementation date of this bill to the 2023 benefit year to enable consideration of the Subsidy Program in light of the variables outlined in this letter.

CareFirst looks forward to partnering with legislators, the MHBE, the Commissioner, and other stakeholders to enhance and refine the Subsidy Program to ensure maximum impact on premium affordability for targeted populations in 2023.

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