

<p><b>House Appropriations Committee</b>  <b>House Health And Social Services Subcommittee</b>  <b>3:00pm House Office Building, room 150</b>  <b>Chair: Kirill Reznik, Vice Chair: Emily Shetty</b>  <b>February 20, 2023</b></p>	<p><b>Senate Budget and Taxation Committee</b>  <b>Senate Health And Human Services Subcommittee</b>  <b>11:30am - Miller Senate Building, William Amoss Room, 4th Floor</b>  <b>Chair: Corey McCray</b>  <b>February 17, 2023</b></p>
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Good afternoon. We appreciate the opportunity to address the committee today. Thank you to Morgan Smith for her thorough analysis of the Maryland Health Benefit Exchange, or MHBE for short, budget.

The mission of the MHBE is to improve the health and well-being of Marylanders by connecting them with high-quality, affordable health coverage through innovative programs, technology, and consumer assistance.

In the decade since its inception, MHBE, has brought health coverage to millions of Marylanders. You, our legislature, helped along the way by through enacting:

- The State Reinsurance Program which has reduced individual market premiums by more than 25 percent since 2019
- The Easy Enrollment Program to allow uninsured individuals to get connected to health coverage by checking a box on their state tax return or unemployment claim and provided health insurance for more than 10,000 individuals
- Instituting state premium assistance for young adults reducing premiums by an average of \$40 and increasing our young adult enrollments by 7%

These programs along with technological innovation, focused outreach and marketing efforts and consumer driven customer service have provided 1 in 5 Marylanders with quality, affordable health insurance. Included in your materials today, is our 2022 Annual Report. This report provides a wealth of information on our activities and successes last year.

We continue to be very successful and provide vital services to Marylanders as a small agency and with a small budget. As the budget analysis reports, we have 67 State staff and we operate on with limited State funds and supportive Federal funds.

It is important to note that there are three budget programs:

1. Program 1 for operations - everything we do *except* for IT
2. Program 2 for IT
3. Program 3 for Reinsurance - this program is large but is pass-through funding to the insurance carriers as reinsurance funding for them.

**We have been asked to address two specific questions, the first of which is to comment on whether general fund support is expected to be needed in the future for the agency.**

For the last two years we reported that although we were operating under the \$35mm statutory funding, to reduce the budget from '**at minimum** \$35mm to **at** \$32mm' would be short sighted as we knew contracts were expiring for which that funding would be needed. Nonetheless, the mandated funding was reduced and additional funding was added in the FY 24 Governor's Allowance to address projected funding shortfalls.

Although we operate very fiscally responsible, COLA and other salary increases impact our budget as do the services we obtain to complete our work, most notably the call and fulfillment centers. Our IT work is the backbone of what we do, Maryland Health Connection. It is the State Marketplace where 1 in 5 Marylanders apply for, enroll and receive health care coverage. Important to note is that the federal funding received for Medicaid IT work can provide matching funds of up to 90% for development work. Any reduction in State funding comes with a significant reduction in Federal funds. We will continue to require funding greater than \$32mm.

**The second area we have been asked to comment on is the future young adult subsidy program plans, including a discussion of pilot results.** Pursuant to legislation passed by the Maryland General Assembly in 2021, MHBE launched a two-year pilot program in 2022 to provide a state-funded premium subsidy to help young adults reduce the amount they pay for health plans on Maryland Health Connection (MHC). Young adults are eligible to receive the state subsidy if they are ages 18-34, below 400% FPL, and ineligible for Medicaid. The subsidy pairs with federal premium subsidies to reduce premiums costs on a sliding scale, with the youngest and lowest income young adults paying the least.

In 2022 about 45,000 young adults in Maryland received premium support from the pilot program, reducing their average household premiums by 34% (from \$106 to \$70 per month). Provided below is additional information from a preliminary analysis of year one of the young adult subsidy program (2022):

- Growth in young adult enrollment as of January 31st increased about 11% year-over-year, outperforming growth in enrollment of all ages (8%). This was the largest such increase in young adult enrollment growth in four years.
- Young adults comprised more than 24% of the MHBE's total new enrollees, compared to 4% the year before.
- As of December 2022, young adults were less likely to drop coverage compared to the prior year (when the subsidy wasn't in effect): The number of young adults who dropped coverage fell 3%, even though among enrollees of all ages, the number who dropped coverage rose by 9% compared to the prior year.
- Young Adult Subsidy recipients, compared to young adult enrollees ineligible for the subsidy, are more likely to be Hispanic (14% vs. 9%), Black/African American (22% vs. 16%), and female (57% vs. 54%).

A preliminary analysis of the program shows encouraging results, however longitudinal data are needed to more validly assess the direct impact of the subsidies on individual behavior and choices. It is complex to isolate the impact of the Young Adult Subsidy on outcomes because recipient households received sizable federal subsidies compared to non-recipients, and federal subsidies increased substantially in 2021, improving affordability for most enrollees.

It's also important to note that throughout this pilot, Medicaid has not terminated enrollees due to the public health emergency. This has likely depressed Exchange enrollment across the board, including young adult enrollment. An MHBE analysis as of Spring 2022 indicated that approximately 22,000 young adults were being retained on Medicaid despite reporting an income change that would have otherwise made them ineligible for Medicaid. The availability of affordable private health insurance options will be key to keeping young adults enrolled in coverage as Medicaid terminations resume in Spring 2023. There is legislation pending (HB814) to continue this program.