

D78Y01 MD Health Benefit Exchange Budget Testimony

Good afternoon, Chair [McCray/Shetty] Vice-Chair [n/a /Jones] and committee members. For the record, Michele Eberle, executive director for the Maryland Health Benefit Exchange. With me here today is our CFO, Tony Armiger. I'd like to thank Victoria Martinez who for the last couple of years has gathered a lot of information and asked all the right questions to fully understand MHBE operations and present our budget. Our team works very hard each year to be effective and efficient with our resources and I'm privileged to be here today to provide a brief update and answer the questions raised in the budget.

The budget you see before you is a reflection of the significant accomplishments the Exchange has made since its inception in 2011. I'll remind you that we were established with an annual Special Fund allocation of **not less than \$35 million** to fully fund Exchange administration and operations. That Special Fund allocation was reduced to **\$32 million** in FY21 and for the last several years, we have required General Funds to fully fund Exchange administration and operations. The very large reinsurance fund is strictly pass-through dollars and does not support Exchange administration or operations. So, in essence, we have a small budget on which we provide services to 1 in 5 Marylanders!

This past year was another hugely successful year. The backbone of our work is Maryland Health Connection, the technology platform where Marylanders apply for health, dental, and vision coverage in public and private health plans. I've included a [link](#) for a 2025 IT Roadmap presentation our CIO made to our Board of Trustees in January. In this presentation he relayed many 2024 accomplishments. Here are a few:

- Integrated Chatbot Flora with Gen-AI enhancing responses for consumers, successfully addressed 650,000 queries in 2024.
- Enhanced Social Security Number (SSN) Verification process using Robotic Process Automation (RPA), automatically verified 3,000 documents in 2024.
- Implemented an AI-powered Call Center Agent (AI-Agent) handling 38% of consumer password reset request calls since December 6, 2024.
- Enhanced User Experience in the Consumer Portal improving customer service
- Enabled Broker Connect capabilities in the Mobile App for more than 1,000 brokers allowing consumers to get connected to a broker within 30 minutes
- Migrated 10 out of 11 HBX Lower Environments from MD THINK to MHBE AWS targeting potential cost savings of \$750,000 per year and streamlined operations.
- Built a new portal within MHC for hospitals to apply for MA eligibility for deemed newborns.

All our technology developments, in fact, all the work we do, is looked at through a lens of "how can we improve the consumer experience, how can we reduce administrative costs, and how can we achieve better outcomes".

Beyond technology, customer service is where we spend most of our dollars. This includes our call center, connector entities, outreach, appeals and constituent services. Last year we successfully completed the Medicaid Public Health Emergency Unwinding, it has had a long tail, and our call center still is feeling that pain. However, from an enrollment perspective, we helped Marylanders remain in their Medicaid coverage or enroll in a private health plan if they were eligible. At our February board meeting, we presented a [report](#) on 2025 private pay enrollment

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analysis from the recent end of the open enrollment period. We are proud to report that we have a new record of enrollments, 249,603 at the end of January! This is the seventh consecutive year of enrollment increases on MHC. Up 56% since the pandemic. And we saw an 83% increase in enrollees who previously had Medicaid from pre-pandemic levels. The Exchange was the safety net for Marylanders losing Medicaid.

The areas we focus on to spend our marketing and outreach dollars also continue to be successful. Enrollment by Hispanic consumers grew 25%, Black consumers grew 23%, and our young adult population by 21%.

While we do exceptional work, we do have challenges. Two areas have been significantly affected recently, our call center and fulfillment costs. These are both directly related to services we provide for income-based Medicaid enrollment. Completing redeterminations for 1.4 million Medicaid recipients significantly impacted our call center operations. As I mentioned earlier, the tail was much longer on the unwind and the final reconciliation is still ongoing. That, along with recent Federal activity around the future of Medicaid continues to put pressure on our call center. In addition, a change was required in mailing paper notices to Medicaid consumers that increased our fulfillment costs significantly. We have worked with MDH to cover the additional cost of notices, and we are looking at ways to contain call center costs to stay within budget for this fiscal year.

Before I move on to the questions raised in the budget analysis, I will comment on the State Reinsurance Program. The fund is made up of federal pass-through dollars and a carrier assessment. The carrier assessment for the first year was 2.75% and then reduced to 1% for the remaining years. The Reinsurance Fund pays a portion of claims for insurance carriers participating in the individual marketplace. This allows the carriers to reduce premiums for all individual market consumers. The Exchange does not use any of these state funds for its administration or operations,. We administer these funds to stabilize the entire individual marketplace. Should the federal government or the legislature eliminate or remove any of the fund dollars, it will destabilize the entire individual marketplace. The State Reinsurance Program is in place and solvent through December 31, 2028.

Now, onto the FY26 budget. We are very appreciative of the increase in State PINs for FY26. We operated with 67 State staff for many years and were finally able to add six State staff last year for our IT services. With your support, we will add six State staff this year for our consumer assistance program. Historically we have very little turnover at MHBE. We work very hard on living our values of Diversity & Inclusion, Innovation, Collaboration, and being Ethical and we are rewarded by the longevity of our staff.

PAGE 7 of our report **DLS recommends reducing operating expenses within MHBE by \$267,761 in general funds**; for savings achieved in the call center contract by bringing in-house six call center workers. As I mentioned earlier, the call center costs are significantly higher due to continued Medicaid call impact. However, we are seeking ways to stay within budget, and should our general funds be reduced by this amount we will accommodate for that in our call center reductions.

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On page 14 of our report, DLS references the very successful Young Adult Subsidy Program stating, “**considering that the subsidies through the program are only authorized through calendar 2025 and for only half of the fiscal year, DLS recommends adding language that makes \$13 million of the funding for the program contingent on language that extends the availability of subsidies into calendar 2026**”. While we can do this, legislation is in progress with identical cross-filed bills (SB5 and HB297) that have both passed their chambers and are crossing over to the other chamber.

OLA Legislative Audit Findings are presented on page 16. The audit was initiated in June 2023, and we received the final report in January 2025. The audit period was March 9, 2020, through June 30, 2023, during the pandemic and public health emergency period. Exhibit 10 on page 17 clearly lays out the OLA audit recommendations and MHBE response. On page 16 DLS states “**MHBE should provide an update on any additional corrective action taken since the audit was published in January 2025 and how it works with MDH to ensure that it is following MDH policies and federal regulations regarding eligibility determinations**”. I will speak to each finding.

Finding 1: MHBE did not request supporting documentation from applicants who reported having \$0 income when State wage records reflected that the applicant had income that exceeded the Medicaid income qualification threshold.

MHBE implements eligibility and enrollment policy as directed by the Maryland Department of Health, the States designated Medicaid Agency. MDH has an entire unit that works with the Federal government to interpret and implement Medicaid policy. CMS allows applicants to attest to \$0 income without further income check and MHBE followed this policy as directed by MDH. MHBE anticipates that Federal policy regarding Medicaid will change under the current administration.

Finding 2: MHBE did not ensure that it used the most current income data in its verification process, resulting in inaccurate enrollment determinations for Medicaid applicants.

MHBE utilized the Department of Labors MABS system for income data, prior to its replacement with the Beacon system. In certain limited situations, the file that was utilized was not the current wage data file. A system change has been made and is being deployed on 2/28/25 that will correct this limited situation to ensure the most current data set is selected.

Finding 3: MHBE continues to rely solely on State wage records to verify income of certain applicants even though this excluded many types of applicant income.

As stated under Finding 1, MHBE implements eligibility and enrollment policy as directed by MDH. MHBE will continue to submit any suspected fraud to MDH as required.

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Finding 4: MHBE did not always ensure that manual overrides of applicant eligibility were independently reviewed and approved.

*MHBE acknowledges that reviews of overrides conducted by MDH staff were not being completed appropriately. **By December 2024**, MHBE established a formal process with both MDH and DHS for quality assurance checks on overrides. This formal process is fully operational. MHBE's compliance department will include a review of this procedure during its annual internal review.*

Finding 5: MHBE did not adequately pursue the collection of \$649 million in insurance provider fees collected by MIA that should have been transferred to the MHBE Fund.

*An internal procedure will be completed **by March 2025** to ensure transfer of funds from MIA to MHBE annually. MHBE's compliance department will include a review of this procedure during its annual internal review.*

Finding 6: MHBE did not always publish contract awards and document bid proposal openings.

*An internal procedure will be completed **by March 2025** to ensure all contract awards are published. MHBE's compliance department will include a review of this procedure during its annual internal review.*

Thank you again for this opportunity to discuss MHBE's FY26 budget request. I am happy to answer any questions.