

D78Y01 MD Health Benefit Exchange Budget Testimony

Good afternoon, Chair McCray and members of the committee. For the record, Michele Eberle, executive director for the Maryland Health Benefit Exchange. With me here today is our Deputy Director Johanna Fabian-Marks and 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.

This past year was another successful year despite significant challenges presented by the loss of enhanced federal premium tax credits and other federal reforms. Our [2025 annual report](#) lists many of our accomplishments. I will highlight a few here:

- We launched a state premium assistance program to stabilize the individual insurance market and mitigate the impact of the loss of enhanced federal premium tax credits.
- Our generative-AI powered virtual assistant "Flora" addressed 1.7M queries in 2025, 2.5 times more than in 2024. Flora offers fast, accurate, and personalized assistance beyond standard business hours and addresses questions that might otherwise have resulted in calls to our call center.
- Our AI call center agent handled 43% of all password reset calls in 2025, preventing roughly 27,000 calls from reaching live agents and reducing call center workload, resulting in nearly \$200,000 in cost savings.
- We launched the AI Enrollment Status Agent to help consumers check their enrollment status. Within the first two weeks, the agent successfully handled 8,600 enrollment-related calls, improving self-service access and reducing call center workload, potentially saving approximately \$1M in CY26.
- We launched a comprehensive Small Business Web Portal that streamlines health insurance enrollment and benefits management for small business employers, employees, and brokers across Maryland.
- We developed and deployed a comprehensive disaster recovery solution for the HBX platform, providing redundancy to ensure rapid recovery, minimal downtime, and uninterrupted access to critical consumer services in the event of a catastrophic failure.

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". For a fuller view of our 2026 IT Strategic Roadmap, I've included a [link](#) to a presentation our CIO made to our Board of Trustees in February.

Maryland again demonstrated that it is a national leader in supporting health coverage affordability by establishing the Maryland Premium Assistance program. At the end of 2025, the federal government let the Affordable Care Act (ACA) enhanced premium tax credits expire. Across the nation, marketplace premiums had a median increase of 18%. As Congress debated whether or not to extend the tax credits, Maryland acted. Governor Moore and the Maryland General Assembly created Maryland Premium Assistance which replaced some or all of the expired federal financial help for those under 400% of the federal poverty level, with those under 200% of FPL receiving the most help. And this year again Maryland provided extra financial help to young adults. The state premium assistance, in combination with the State Reinsurance

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Program, led Maryland to 3% enrollment growth during our open enrollment period for 2026 coverage. This put Maryland at #3 nationally for enrollment growth, and one of only 8 states that experienced enrollment growth during open enrollment this year. The areas we focus on to spend our marketing and outreach dollars also continue to be successful. Enrollment by our young adult population grew by 7%, Black consumers grew 4%, and Hispanic consumers grew 2%.

However, the true enrollment picture is still emerging, as our enrollees qualify for various grace periods for premium payment. This means the full picture of the impact of the financial strain due to the loss of federal premium tax credits will not be clear until April.

MHBE is closely monitoring spending and financial projections for the State Premium Assistance program costs and State Reinsurance Program. We will work with our Board as needed to adjust the parameters of the State Premium Assistance Program in order to maintain the solvency of the Reinsurance Fund and meet our commitments to fund reinsurance.

The Reinsurance 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. In addition, the state dollars in the Reinsurance Fund generated through the carrier assessment fund the State Premium Assistance program. The Exchange does not use these funds for its administration or operations. We administer these funds to stabilize the individual marketplace.

Beyond technology, and the pass-through funding we administer for reinsurance and premium assistance, customer service is where we spend most of our dollars. This includes our call center, connector entities, outreach, appeals and constituent services. As noted in our 2025 accomplishments above, we are putting a lot of work into improving consumer's self-service options, which both improves access outside of our call center hours and reduces costs.

Now, onto the FY26 budget. We are very appreciative of the funding and State PINs proposed for MHBE in order to enable us to implement the Medicaid eligibility changes from OBBBA. MHBE will be responsible for implementing the majority of the operational changes to Medicaid eligibility mandated by the federal government, including the community engagement (work) requirements, and 6-month redeterminations for the ACA Adult population. Although MHBE is known for its work enrolling individuals in private health plans (~240,000), the majority of MHBE's staff time and state budget funds for operation and administration activities are related to MAGI Medicaid enrollees (~1.2M individuals). Over the years, we have absorbed MAGI Medicaid call center, fulfillment, appeals, hearings, constituent services, and training functions, in addition to technology, into our operations and administration. OBBBA introduces substantial changes to eligibility operations, real-time data exchange, system availability requirements, and consumer-facing enhancements, all of which significantly impact the HBX platform and are expected to significantly increase our call center, fulfillment, and other operating costs.

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I will now provide answers to the specific questions asked.

PAGE 18 of our report DLS states “MHBE should discuss how the estimated costs for fiscal 2027 were determined given that the parameters have not been established for plan year 2027.”

MHBE Response: At the August 18, 2025 Board meeting, the MHBE Board approved the PY26 state subsidy parameters. At that meeting, MHBE staff also presented modeling of two potential designs for subsidy parameters for PY27 in conjunction with potential reinsurance parameters. This was presented for the Board's information so they could have a forecast of potential PY27 parameters in conjunction with impact to the State Reinsurance Fund. MHBE used one of the two scenarios modeled for the Board in August when estimating costs for PY27 included in the FY27 estimate.

Also on PAGE 18, DLS states “MHBE should discuss how it will ensure that the reinsurance program has sufficient funding to meet obligations while implementing the State subsidy program.”

MHBE Response: MHBE is closely monitoring spending under the state subsidy program in consultation with our contracted actuaries and the Maryland Insurance Administration. MHBE is committed to ensuring solvency of the Reinsurance Program. The MHBE Board has several tools to control the cost of the state subsidy program, including modifying state subsidy parameters for CY27 to reduce the generosity and cost of the program in CY27, and closing the state subsidy program to new enrollees enrolling in CY26 through special enrollment periods.

Thank you again for this opportunity to discuss MHBE’s FY27 budget request. We are happy to answer any questions.