LEWIS & ELLIS
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Actuarial Support Services for the Maryland State Innovation Waiver

Analysis of Updated Young Adult and Federal Poverty Level Extension Subsidies

MARYLAND HEALTH BENEFIT EXCHANGE

STATE OF MARYLAND

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INTRODUCTION

In 2019, the Maryland Health Benefit Exchange ("MHBE") engaged Lewis & Ellis ("L&E") to analyze the potential impact of subsidies on the individual and small group markets. In this report, L&E has been asked to update its analysis for these subsidies, which now focus solely on the individual market. If implemented, the subsidies could be funded by using state funding from the existing State Reinsurance Program ("SRP") Section 1332 waiver. Since 2019, federal pass through funding has been sufficient to cover all reinsurance program cost and Maryland has not had to utilize state funding to reimburse high dollar claims in the SRP.

The 2019 subsidy proposals were borne from recommendations from the 2019 Affordability Work Group and SHOP Advisory Committee. The goal of the proposals was to maximize participation in the individual market, improve the risk pool's morbidity, and increase affordability for all individual market participants.

Through discussions with the MHBE and the Maryland Insurance Administration ("MIA"), this report has been revised to analyze two different subsidy strategies. The first strategy, which includes four different approaches, focuses on young adults between the ages of 18 and 34[1]. These methods focus on young adults because this population has historically not purchased health insurance at the same rate as older adults.

The second strategy, which includes two different methods, focuses on all adults with incomes between 400% and 600% of the Federal Poverty Line ("FPL"). These methods target individuals whose incomes are in the "subsidy cliff". Under the Affordable Care Act (ACA), individuals with incomes greater than 400% of FPL are not eligible for premium tax credits. These subsidies extend the maximum applicable percentage to 600% FPL.

The purpose of the report is to provide L&E's analysis to inform MHBE stakeholders for the 2021 legislative session with the goal of assessing and analyzing the impact of additional stabilization measures for the individual market in Maryland and making coverage more affordable for members with incomes below 600% of FPL.

[1] One of the proposed methods, AASE 47, is applicable to adults ages 18 to 47.

INDIVIDUAL MARKET SUBSIDIES

L&E modeled two strategies to potentially maximize participation in Maryland's individual market and to increase affordability for all individual market participants.

The first strategy is designed to directly bring more young, uninsured individuals into the individual market. The second strategy is designed to support adults with incomes just above the ACA's 400% FPL cutoff to qualify for subsidies.

YOUNG ADULTS SUBSIDY BACKGROUND

The first group of subsidy approaches is the Young Adults Subsidies. To be eligible for the Young Adults Subsidy, an individual would need to be between the ages of 18 and 34[2] with an income below 400% of the FPL. This subsidy strategy has four different proposed structures which would reduce the premium paid by Young Adults depending on their income as a percentage of FPL. Graph 1 on page 4 illustrates the applicable percentage changes by age at 200% of the FPL for all four YA subsidies.

YOUNG ADULT SUBSIDY 1: AGE ADJUSTMENT SUBSIDY ENHANCEMENT

The first Young Adults Subsidy structure is the Age Adjustment Subsidy Enhancement ("AASE"). Providing the AASE to Young Adults would result in a net premium (for the second lowest cost silver plan) that better reflects the underlying actuarial risk of the cohort.

The ACA created a 3:1 age curve, where older adults pay at most three times the rate of Young Adults. Due to the age curve, Young Adults tend to subsidize older adults since the actual claim cost relativity between these age groups is more than 3:1. AASE attempts to impact Young Adults in a manner which better reflects the actual claims relativity. The approach is based on the following equation derived by Gabriel McGlamery of Florida Blue.

$$ACA\ Applicable\ Percentage * \left(\frac{Enrollment\ Group's\ Avg.\ Age\ Rate}{3}\right) = New\ YA\ AP$$

Currently, individuals of any age with an income equal to 200% of FPL pay a maximum of 6.5% of their 2020 income towards health insurance premiums. This is based on the 2020 Applicable Percentage Table released by the federal Internal Revenue Service (IRS)[3].

Under the AASE, an individual between the ages of 18-25 at 200% of FPL would see their applicable percentage reduced from 6.5% to 2.1%[4]. This premium reduction would be subsidized by the State. The maximum cost of the program per eligible individual would be the difference between 6.5% and 2.1% multiplied by the individual's income.

[2]One of the four proposed state subsidies subsidizes younger adults up to age 47, which is approximately the median age in the Maryland individual market. Otherwise, the other three subsidize individuals between 18 and 34.
[3]https://www.irs.gov/pub/irs-drop/rp-19-29.pdf
[4]Assuming the 18-25 group's age rate is 0.98 based on ACA rating curves from CMS (https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Final-Guidance-Regarding-Age-Curves-and-State-Reporting-12-16-16.pdf)

It should be noted that in some cases, the premium as a percentage of income for the second lowest cost silver plan would be lower than the applicable percentage. That is, there would be cases where the gross premium is less than the income cap and the resultant federal subsidy would be $0. In this scenario, the cost of the AASE program would be lower, and the cost would be the difference between the actual premium and 2.1% of income.

Table 7 (in the Supporting Tables section) shows the applicable percentage changes for the AASE.

YOUNG ADULT SUBSIDY 2: ADVANCING YOUTH ENROLLMENT ACT

The second Young Adults Subsidy structure is the Advancing Youth Enrollment Act ("AYEA"). Providing the AYEA to Young Adults would reduce the total applicable percentage for the second lowest cost silver plan by 2.5 percentage points when a Young Adult is between 18 and 30 years old. The 2.5 percentage points is reduced by 0.5 percentage points for each incremental year after age 30 until the adjustment terminates at age 35.

Currently, individuals of any age with incomes at 200% of FPL will have a 2020 applicable percentage of 6.5%[5].

Under the AYEA, an individual between the ages of 18-25 at 200% of FPL would see his or her applicable percentage reduced from 6.5% to 4.0%[6]. The premium reduction would be subsidized by the State. The maximum cost of the program per eligible individual would be the difference between 6.5% and 4.0% multiplied by the individual's income.

Table 8 (in the Supporting Tables section) shows the applicable percentage changes for AYEA.

YOUNG ADULT SUBSIDY 3: AGE ADJUSTMENT SUBSIDY ENHANCEMENT CLIFFLESS TO 34

The third Young Adults Subsidy is the Age Adjustment Subsidy Enhancement Cliffless to 34 ("AASE 34"). AASE 34 is a modification to the AASE subsidy. Formulaically, the new AASE applicable percentage formula is modified such that the denominator is the age curve factor for a 35 year-old (1.222) rather than 3. This modification would keep the net premiums the same for all ages greater than 34, but it would help smooth out the net premium for young adults.

Table 9 (in the Supporting Tables section) shows the applicable percentage changes for AASE 34.

YOUNG ADULT SUBSIDY 4: AGE ADJUSTMENT SUBSIDY ENHANCEMENT CLIFFLESS TO 47

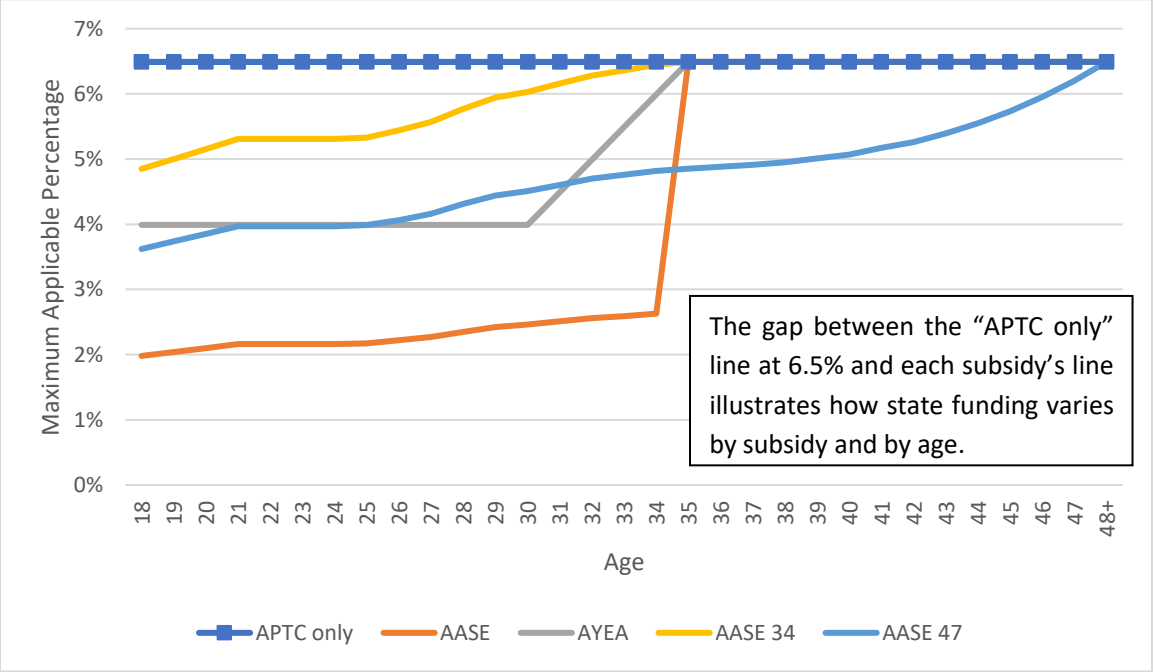
The final Young Adults Subsidy is the Age Adjustment Subsidy Enhancement Cliffless to 47 ("AASE 47"). In this modified AASE approach, the applicable percentage formula uses the age curve factor for a 48 year-old (1.635) in the denominator. The age 48 is chosen in this scenario because 48 is the average age in the Individual market. AASE 47 provides premium subsidies to

[5] https://www.irs.gov/pub/irs-drop/rp-19-29.pdf
[6] A reduction of 2.5% from the original applicable percentage

Young adults, similar to the first three Young Adult subsidies; however, AASE removes the "subsidy cliff" at age 35 by smoothing the phase out of the subsidy up to the average age in the Individual market. In other words, the first three Young Adults subsidies do not financially benefit the middle-aged adults (35 to 47), while AASE 47 does. This method does not impact the net premium for adults older than 47.

Table 10 (in the Supporting Tables section) shows the applicable percentage changes for AASE 47. Graph 1 illustrates the applicable percentage changes by age at 200% of the FPL for all four YA subsidies.

Graph 1: Maximum Applicable Percentage by Subsidy and Age at 200% of the FPL



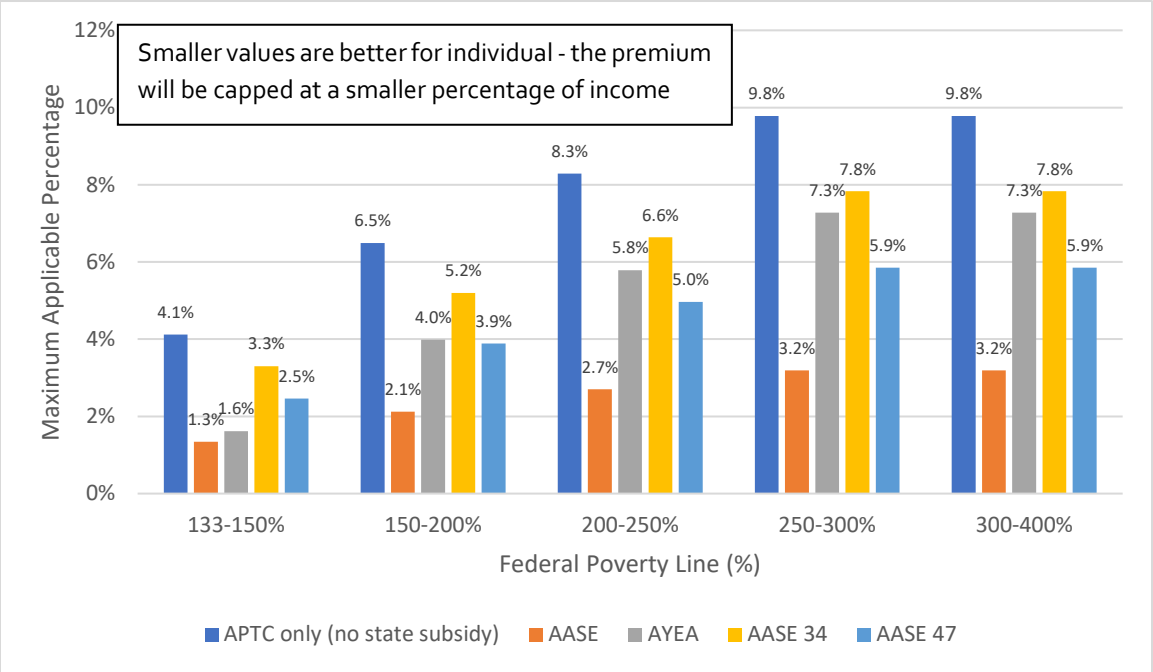
YOUNG ADULTS SUBSIDY COMPARISON

The AASE provides the highest levels of benefits versus the AYEA, AASE 34, and AASE 47 approaches by capping the percentage of income spent on premiums at a lower percentage of income. Therefore, the AASE would require the greatest amount of state funding.

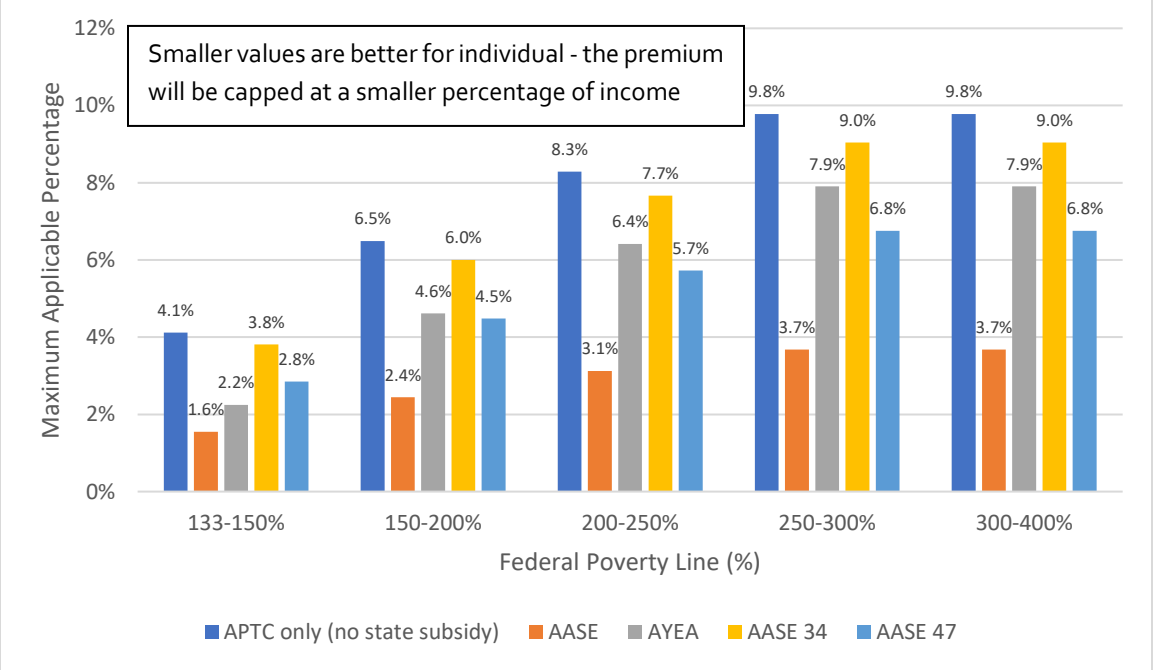
Graph 2 compares the changes to the applicable percentage for all four Young Adult Subsidies for adults aged 18-25 at various income levels. Graphs 3, 4, and 5 show the same comparison for adults 26-34, 35-44, and 45-47, respectively.

The order of the methods by the greatest benefit richness, and correspondingly the largest required funding is: AASE, AASE 47, AYEA, and AASE 34. The three "AASE" subsidies can be compared mathematically – AASE uses a denominator of 3, AASE 47 uses 1.635, and AASE 34 uses 1.222. The smaller the denominator, the greater income cap percentage, which leads to the individual paying a greater share of premiums.

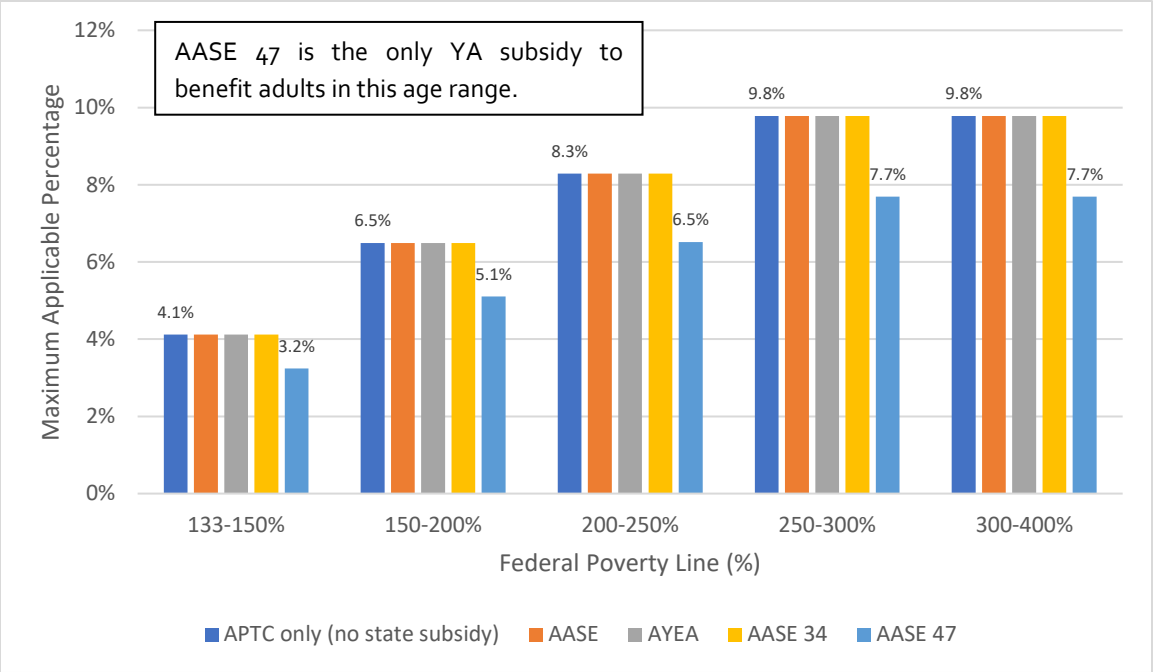
Graph 2: Comparison of Young Adult Caps on Premium as % of Income for Ages 18-25



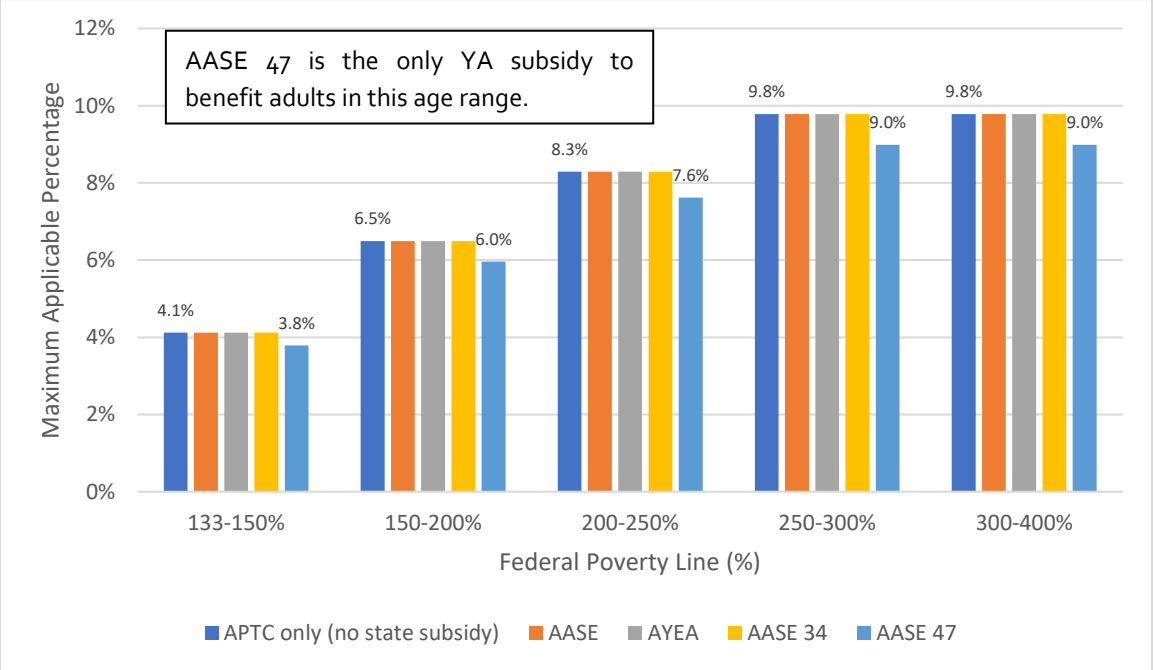
Graph 3: Comparison of Young Adult Caps on Premium as % of Income for Ages 26-34



Graph 4: Comparison of Young Adult Caps on Premium as % of Income for Ages 35-44



Graph 5: Comparison of Young Adult Caps on Premium as % of Income for Ages 45-47



400%+ FPL SUBSIDY EXTENSION BACKGROUND

The second group of subsidy strategies[7] would support individuals with incomes greater than 400% of the FPL, an area commonly known as the "subsidy cliff." The ACA provides premium assistance to individuals with incomes less than 400% of FPL. Once an individual's income rises above 400% FPL, the individual is no longer eligible for premium assistance. In other words, these individuals are required to pay the full premium charged by carriers with no federal support to obtain health insurance coverage.

The 400%+ FPL Subsidy Extension ("FFSE") would allow individuals and households with incomes between 400% and 600% FPL to obtain premium subsidies funded by the State. FFSE would extend the maximum applicable percentage to 600% FPL. In other words, the maximum applicable percentage for an individual at 400% FPL is applied to all individuals between 400% and 600% of the FPL under FFSE. The maximum applicable percentages reviewed are: 9.78%, 12.5% and 15%.

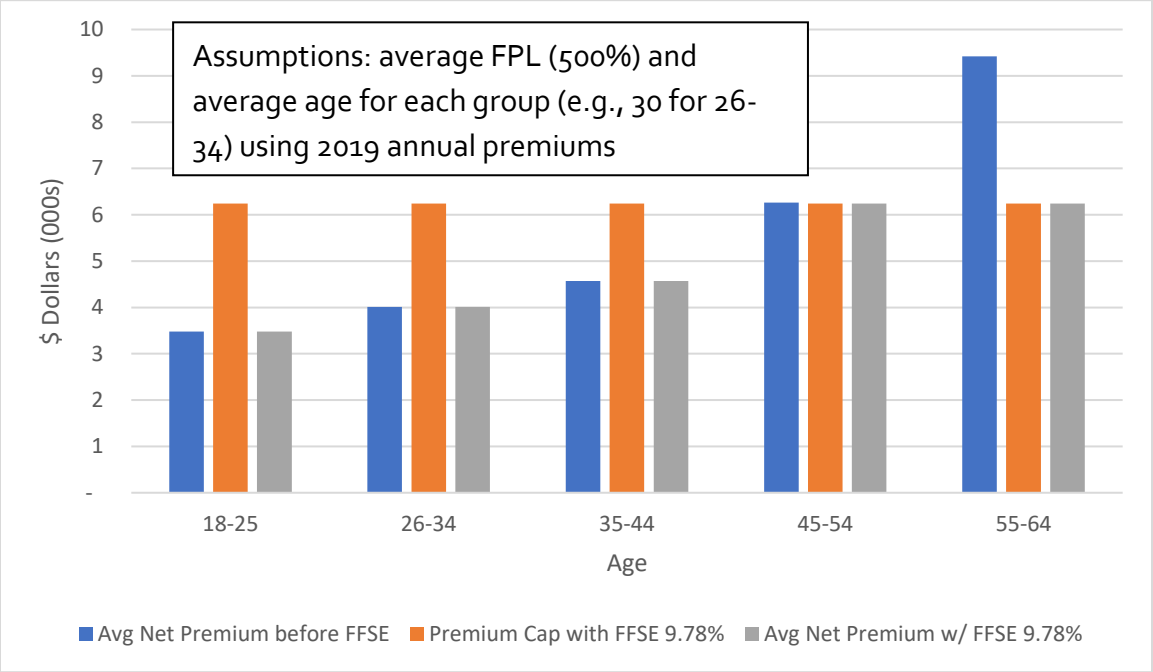
Table 11 (in the Supporting Tables section) shows the applicable percentage changes for FFSE.

Graph 6 demonstrates that the implementation of FFSE would be expected to impact Individual older adults more positively than Individual Younger Adults[8]. This result is due to Individual Younger Adults (e.g., 18-34) having premiums that are below the premium cap (i.e., maximum premium paid as a percentage of income) based on the subsidy and would not be materially impacted by the FPL extension. Younger Adults enrolled with a spouse, child, or in a family plan may benefit from the FFSE, but based on the subsidy structure and the premium levels, older adults in multi-person plans will receive a higher benefit. As the maximum applicable percentage increases from 9.78% to 15%, fewer adults are helped by the FFSE.

[7] This is the second subsidy strategy reviewed. To clarify, Young Adult subsidy is the first approach with four versions (AASE, AYEA, AASE 34, etc.), while the 400+ FPL Subsidy is the second approach.

[8] This statement focuses on the impact of FFSE on members who enroll as individuals. Younger Adults (e.g., 18-34) would only receive FFSE when they are in a plan with their spouse and/or family, due to the way FPL and premium caps are calculated based on the number of people in a household. Thus, the statement is not suggesting Younger Adults would never qualify for FFSE, but rather Younger Adults in individual plans would not receive the FFSE subsidy.

Graph 6: Illustrative Comparison of 400%+ FPL Subsidy Extension (FFSE) Impact by Age for Individuals[9] between 400-600% FPL using 2019 Annual Net Premiums



[9] This graph illustrates the impact of FFSE on members who enroll as individuals. Younger Adults (e.g., 18-34) would only receive FFSE when they are in a plan with their spouse and/or family, due to the way FPL and premium caps are calculated based on the number of people in a household. Thus, the graph is not suggesting Younger Adults would never qualify for FFSE, but rather Younger Adults in individual plans would not receive the FFSE subsidy.

SCENARIOS FOR MODELING

To model the impact of the two subsidy strategies: 1) Young Adults and 2) 400%+ FPL, L&E has modeled seven different scenarios. These seven scenarios would be integrated with the State Reinsurance Program which began in August 2019. That is, L&E's subsidy modeling assumes that the SRP is active in all years, until reinsurance funding is exhausted.

The seven scenarios are:

1. Reinsurance + Young Adult Subsidy 1 (Age Adjustment Subsidy Enhancement)
2. Reinsurance + Young Adult Subsidy 2 (Advancing Youth Enrollment Act)
3. Reinsurance + Young Adult Subsidy 3 (Age Adjustment Subsidy Enhancement Cliffless to 34)
4. Reinsurance + Young Adult Subsidy 4 (Age Adjustment Subsidy Enhancement Cliffless to 47)
5. Reinsurance + 400%+ FPL Subsidy Extension at 9.78% Cap
6. Reinsurance + 400%+ FPL Subsidy Extension at 12.5% Cap
7. Reinsurance + 400%+ FPL Subsidy Extension at 15% Cap

Since the Young Adult and FFSE subsidies target different segments of the population, L&E did not model the interaction of the subsidies together. An approximation that can be used is to sum two of the scenarios together, one Young Adult and one FFSE subsidy, to estimate the total impact.

MODELING METHODOLOGY

The steps in projecting the impact of the Young Adults and 400%+ FPL Extension Subsidies for the 2021 individual market are as follows:

1) **Setting a baseline for 2019 and 2020 enrollment** – To understand the full impact of the subsidies, L&E collected and used data from the MHBE, participating insurers, and CMS regarding enrollment levels, the uninsured population, and individual market morbidity levels by age and income.

2) **Understanding the impact of subsidies on net premiums** – To help stabilize the individual market, the two proposed subsidies target specific ages and income levels. The discussion previously highlights how net premiums for Young Adults between ages 18 and 34[10] and individuals between 400%-600% of FPL will be reduced based on the proposed subsidy structures.

3) **Estimating the uptake in enrollment** – Once the impact on net premium (step 2) was understood, L&E modeled the increase in enrollment due to the presence of the subsidies. The uptake assumption was based on a regression analysis[11] of eligible market insured rates compared to the net premium as a percentage of income[12], as well as the change in net premium from a scenario when the subsidies did not exist.

   Additionally, enrollment changes were phased in over a three-year period like the 2014-2016 enrollment experience of the individual market (i.e., when the subsidies are announced, it is assumed that not everyone will know or sign up for coverage immediately).

4) **Understanding the impact on reinsurance payments** – Once the increased enrollment and the expected morbidity were modeled, the claims from these additional enrollees were input in the previous State Reinsurance Program model to calculate the impact to the SRP.

5) **Calculating the subsidies needed and premium tax credit changes** – After projecting claims and calculating premiums, the cost of the subsidies was estimated. Changes to the premium tax credits paid by the federal government resulting from increases in enrollment and reduced morbidity were also modeled.

[10] As previously noted, one of the "Young Adults" subsidies extends State support up to age 47.
[11] The regression analysis was performed separately for each of the five age groups: 18-25, 26-34, 35-44, 45-54, and 55-64.
[12] The February 19, 2020 report compared the eligible market insured rates to the maximum percentage of income that individuals are required to spend before APTCs/subsidies are paid. The MHBE provided more granular enrollment data for this report, facilitating the switch to net income, which is a more accurate measure of the purchasing decisions that the uninsured will face with the implementation of the new subsidies.

6) **Comparing results of each scenario to prior projections and to other scenarios** – To inform the MHBE and state legislators of the subsidies' impact, the results of each scenario are summarized.

RESULTS

L&E projects the Young Adult Subsidies will increase enrollment by approximately 500 to 15,900 individuals, which varies by scenario as seen in Table 1. Note, these numbers are reported in the aggregate, as the projected enrollment is phased in from 2022 to 2024. The best-estimate figures (enrollment, subsidy levels, etc.) in this report are calculated assuming that the uninured levels in Maryland will return to pre-COVID-19 levels by 2022[13].

Of the four Young Adults Subsidies, the AASE reduces premiums for Young Adults the most, followed by AASE 47, AYEA, and AASE 34. AYEA does not reduce premiums for higher income Young Adults (e.g., >200% FPL) and older Young Adults (closer to 34) as much as AASE and AASE 47.

The 400%+ FPL Extension Subsidy is expected to increase enrollment by up to 8,900 individuals by 2024, depending on the income cap used for individuals with incomes between 400% and 600% FPL. The impact of FFSE is smaller than the Young Adult subsidies. FFSE caps the amount of premiums that individuals between 400%-600% FPL pay. Older adults (e.g., >45) are more likely to have premium rates that exceed the cap. Therefore, these older adults would be helped by the FFSE more than younger adults since premium that exceeds the cap would be paid through the subsidy.

Table 1: Comparison of 3-Year Enrollment Impact by Scenario

Scenario	AASE	AYEA	AASE 34	AASE 47[14]	FFSE 9.78%	FFSE 12.5%	FFSE 15%
2022-2024 Increase in Enrollment	15,900	5,400	500	9,300	8,900	3,900	2,300

Table 2 summarizes the impact each subsidy has on its targeted population.

AASE and AASE 47 provide a higher subsidy for Young Adults greater than 200% of the FPL than AYEA and AASE 34, which makes AASE and AASE 47 more effective in enrolling Young Adults than AYEA or AASE 34.

To further look at the ineffectiveness of AASE 34, Graphs 2-3 presented earlier in this report illustrate that the AASE 34 does not substantially change the net premium for young adults. The AASE 34 maximum applicable percentage (yellow bar) in each graph is not significantly lower than the scenario without a state subsidy. Additionally, Table 2 below in the "2024 Subsidy

[13]The uninsured population assumption is based on the latest uninsured estimates from Families USA from 2018. Please see the Sustained Uninsured section in the Results section of the report for the impact if the uninsured rate does not improve by 2022.

[14] Includes adults 35-47, which is not included in the first three Young Adult subsidies.

PCPY" column also shows a much smaller subsidy for AASE 34 when compared to the other Young Adults subsidies.

As mentioned before, FFSE provides subsidies for older adults. Due to the structure of the subsidy, Young Adults at 400-600% of FPL will not be as likely to receive a subsidy[15].

Table 2: Comparison of Subsidy Impact by Age and Income for Young Adult and 400%+ Subsidies

Scenario	Age	FPL Range	2021 % enrolled of eligible[16]	2024[17] % enrolled of eligible	2024 Gross Premium PCPY[18]	2024 Net Premium PCPY	2024 Subsidy PCPY
Reinsurance Only	18-34	133-200%	56%	56%	$4,809	$1,231	$0
	18-34	200-300%	43%	43%	$4,968	$2,904	$0
	18-34	300-400%	22%	22%	$6,084	$5,138	$0
	18-34	**133-400%**	**43%**	**43%**	**$5,003**	**$2,283**	**$0**
AASE	18-34	133-200%	56%	69%	$4,598	$444	$792
	18-34	200-300%	43%	64%	$4,806	$1,081	$1,918
	18-34	300-400%	22%	61%	$5,829	$2,027	$3,005
	18-34	**133-400%**	**43%**	**65%**	**$4,910**	**$988**	**$1,644**
AYEA	18-34	133-200%	56%	64%	$4,720	$710	$518
	18-34	200-300%	43%	48%	$4,916	$2,172	$760
	18-34	300-400%	22%	31%	$6,737	$4,684	$864
	18-34	**133-400%**	**43%**	**50%**	**$5,016**	**$1,703**	**$648**
AASE 34	18-34	133-200%	56%	56%	$4,781	$1,084	$144
	18-34	200-300%	43%	43%	$4,938	$2,571	$327
	18-34	300-400%	22%	25%	$6,293	$4,845	$430
	18-34	**133-400%**	**43%**	**43%**	**$5,006**	**$2,065**	**$246**
AASE 47	18-47[19]	133-200%	56%	59%	$5,118	$871	$370
	18-47	200-300%	42%	51%	$5,304	$2,121	$898
	18-47	300-400%	25%	39%	$7,303	$4,217	$1,510
	18-47	**133-400%**	**43%**	**51%**	**$5,463**	**$1,784**	**$722**
400%+: FFSE 9.78%	18-34	400-600%	49%	49%	$4,387	$4,367	$21
	35-44	400-600%	61%	64%	$6,046	$5,702	$345
	45-54	400-600%	50%	62%	$9,311	$7,472	$1,840
	55-64	400-600%	57%	86%	$11,224	$7,283	$3,941
	18-64	**400-600%**	**53%**	**62%**	**$7,520**	**$5,985**	**$1,534**
400%+: FFSE 12.5%	18-34	400-600%	49%	49%	$4,430	$4,430	$0
	35-44	400-600%	61%	61%	$5,925	$5,925	$0
	45-54	400-600%	50%	57%	$9,202	$8,278	$925
	55-64	400-600%	57%	70%	$12,097	$9,550	$2,547
	18-64	**400-600%**	**53%**	**57%**	**$7,411**	**$6,630**	**$781**
400%+: FFSE 15%	18-34	400-600%	49%	49%	$4,448	$4,448	$0
	35-44	400-600%	61%	61%	$5,949	$5,949	$0
	45-54	400-600%	50%	52%	$8,808	$8,495	$314
	55-64	400-600%	57%	66%	$12,159	$10,571	$1,588
	18-64	**400-600%**	**53%**	**55%**	**$7,301**	**$6,874**	**$427**

[15] This is a generalization for Young Adults in Individual (1-person) plans.
[16] Eligible individuals exclude anyone with insurance provided by their employer.
[17] All 2024 figures are modeled with subsidy included, unless otherwise noted.
[18] PCPY = per contract holder per year (some contracts may be individual, 2 persons, or family)
[19] Using 18-44 figures as an approximation for 18-47 figures. For modeling purposes, age bands are 18-25, 26-34, 35-44 and 45-54. The subsidies for adults aged 45-47 under the AASE47 are low and the impact on enrollment is immaterial.

Another perspective to consider is the efficiency of the subsidy to attract new enrollees. This report looks at efficiency in two ways.

First, the number of new enrollees that each subsidy introduces into the Individual Market relative to the number of individuals who will receive the subsidy. Table 3 shows the percentage of enrollees who receive the subsidy that will be new enrollees.

Table 3: Comparison of Percentage of Subsidy Recipients who will be New Enrollee

Subsidy	% of subsidy recipients who will be a new enrollee by 2024
AASE	34% of individuals, ages 18-34 at 133-400% FPL
AYEA	15% of individuals, ages 18-34 at 133-400% FPL
AASE 34	2% of individuals, ages 18-34 at 133-400% FPL
AASE 47	16% of individuals, ages 18-47 at 133-400% FPL
FFSE 9.78%	13% of individuals, ages 18-64 between 400-600% FPL
FFSE 12.5%	6% of individuals, ages 18-64 between 400-600% FPL
FFSE 15%	4% of individuals, ages 18-64 between 400-600% FPL

The second method of assessing efficiency is the cost of the subsidy per new enrollee, which is shown in Table 4.

Table 4: Comparison of Subsidy Cost per New Enrollee

	2022			2023			2024		
	Cost	New Members[20]	Cost per New Member	Cost	New Members	Cost per New Member	Cost	New Members	Cost per New Member
AASE	$45,782,757	9,535	$4,802	$53,742,899	14,302	$3,758	$57,570,198	15,891	$3,623
AYEA	$15,942,912	3,250	$4,906	$17,250,376	4,875	$3,539	$18,051,144	5,416	$3,333
AASE 34	$5,546,084	296	$18,747	$5,768,120	444	$12,998	$5,922,019	493	$12,010
AASE 47	$27,196,472	5,572	$4,881	$29,941,754	8,358	$3,582	$31,515,755	9,287	$3,394
FFSE 9.78%	$54,917,096	5,333	$10,298	$65,529,895	7,999	$8,192	$73,716,051	8,888	$8,294
FFSE 12.5%	$23,305,812	2,337	$9,970	$29,399,270	3,506	$8,385	$34,639,459	3,896	$8,891
FFSE 15%	$12,848,674	1,388	$9,256	$15,899,434	2,082	$7,635	$18,429,687	2,314	$7,965

The subsidies will not significantly alter the reinsurance program, as the total change in enrollment is at most 15,900 individuals by 2024 for one subsidy (and, 24,800 with two subsidies[21]), which is approximately 10%[22] of the individual market.

[20] This column shows the cumulative new members each year that were not enrolled prior to the state subsidies being introduced in 2022.

[21] This is an approximation by summing the modeling of two scenarios (the greatest enrollment YA subsidy scenario with the greatest enrollment FFSE).

[22] 2021 projected enrollment is approximately 225,000.

Premium Rate Reduction Estimates

The Young Adult subsidies are anticipated to reduce rates by up to 3.8%[23] compared to the current market with a projected state cost up to $46 million. The FFSE subsidies are anticipated to reduce rates by up to 1.8% with a projected state cost up to $55 million.

L&E modeled revisions of two methods to estimate the funding required to reduce rates by 1.0% and 5.0%. Revisions to two Young Adult subsidies were modified since the Young Adult subsidies are generally more efficient than FFSE in enrolling new members. The Young Adult subsidies modified were the AYEA (modified from a 1.4% premium reduction to a 1.0% reduction) and the AASE (modified from a 3.8% premium reduction to a 5.0% rate reduction).

For AYEA, the subsidy was modified by removing the subsidy for Young Adults from 30-34, such that the premium reduction reached the target 1.0%. For AASE, the subsidy was modified by increasing the denominator of 3 used in calculating the YA subsidy to approximately 7[24], so the premium reduction reached the target 5.0%.

Table 4b below shows the updated 2022 cost and enrollment under the modified scenarios. For the AASE, 2022 costs are expected to increase from $46M to $66M, while the AYEA costs are expected to decrease from $16M to $12M.

Table 4b: Comparison of Subsidy Cost per New Enrollee

Scenario	2022 – Best Estimate				2022 – Modified Target			
	Cost	New Members	Cost per New Member	Projected Premium Reduction	Target Premium Reduction	Cost	New Members	Cost per New Member
AASE	$45,782,757	9,535	$4,802	3.8%	5.0%	$66,337,728	12,272	$5,406
AYEA	$15,942,912	3,250	$4,906	1.8%	1.0%	$12,474,992	2,030	$6,145

State Funding

The State will need $6 to $46 million in 2022 to pay for the Young Adults subsidies, and/or $13 to $55 million to pay for the 400%-600% FPL subsidy. Through discussions with MHBE and MIA, the funding for the subsidies may come through excess state funds available under the State Reinsurance Program.

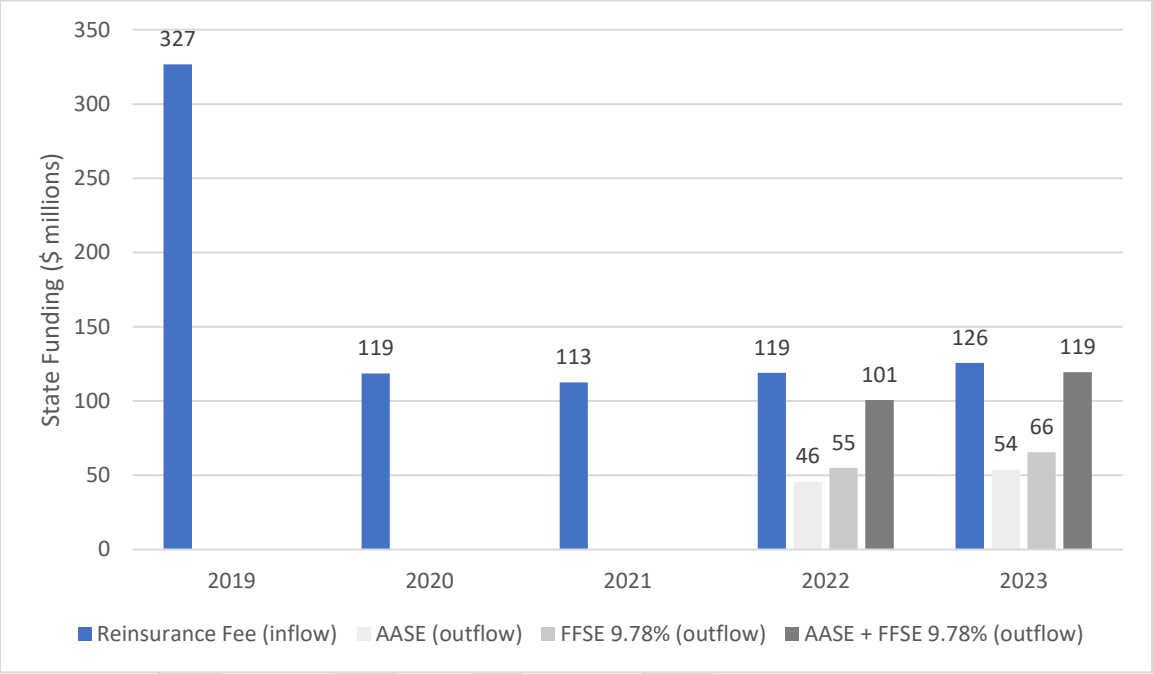
Graph 7 shows the potential state funding available through the reinsurance fee assessment and the state funding required to support the most expensive Young Adult and FFSE subsidies. The

[23] See the change in "Total Non-Group Premium PMPM" in Table 6 from the "Reinsurance" scenario.
[24] The standard AASE's subsidy is double the net premium for an individual which is shown in Table 2. Therefore, significant changes to this method are required to achieve the target of 5.0% premium reduction, since after APTC, the standard subsidy is already paying for 2/3rds of the premium.

state has received a reinsurance fee assessment[25] from insurance carriers to be used for the State Reinsurance Program; however, federal pass through funding through a 1332 Waiver has been able to cover all of the reinsured claims since the program began. In other words, no state reinsurance funding has been used for the reinsurance program.

The projected state funding required for three scenarios are shown in Graph 7: AASE, FFSE 9.78%, and a combined AASE + FFSE 9.78%. Since the subsidies will not begin until 2022 and the reinsurance program has continued to rely exclusively on federal pass through savings, there is significant state funding available[26] to pay for market stabilization measures, such as the Young Adult and/or FFSE subsidies. In the first two years of the subsidy program, the state's reinsurance fee[27] collected for the specific year is expected to exceed the cost of the subsidy program (e.g., $119 million inflow in 2022 from the reinsurance fee versus $101 million cost outflow expected for the AASE + FFSE 9.78%).

Graph 7: State Funding Inflow and Outflows through 2023



The reinsurance program is expected to run out of funding a year earlier in 2024 if one or two subsidies are utilized. A standalone reinsurance program without any state subsidy is expected to exhaust state funding in 2025. L&E's modelling assumes that any excess federal pass through funding at the end of the current 1332 Waiver in 2023 cannot be rolled forward to pay for

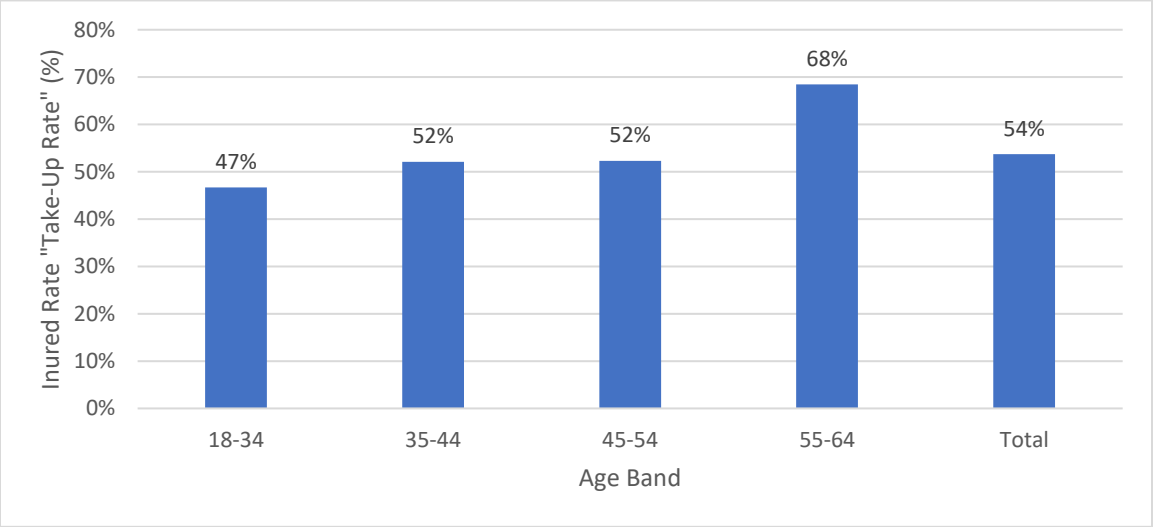
[25] State reinsurance fee (inflows) estimates are provided by the MIA.
[26] The reinsurance fee has not been used because the federal pass through savings has covered the cost of the SRP. This report assumes that excess federal pass through savings from the SRP cannot be used to fund the subsidies.
[27] The reinsurance fee is set to expire at the end of 2023. Discussions with the MHBE and MIA have indicated that the fee may be renewed after 2023, though the analysis throughout this report has assumed that the fee will expire at the end of 2023.

reinsured claims in 2024 and beyond, which will require the State to utilize state reinsurance funding for both the reinsurance and subsidy programs.

Final Considerations

Young Adults have pay a greater share of their contribution to claims[28] through the premiums paid with the 3:1 age curve required by the Affordable Care Act. While the State Reinsurance Program has helped to reduce overall premiums in the market for all enrollees, Young Adults are insured at rates that still are below that of middle age and older adults. The Young Adult subsidies supplementing the SRP will reduce the cost of insurance for Young Adults further, helping the overall morbidity level in the market, and thus, reducing premiums for all enrollees. Graph 8 shows the projected 2021 insured rates by age band.

Graph 8: Projected 2021 Insured Rates ("Take-up Rates") by Age Band



The FFSE subsidies focus on making insurance more affordable for individuals at 400%-600% of the FPL. As seen in Tables 3 and 4, FFSE subsidies are not as effective in enrolling new members compared to YA subsidies, because individuals between 400-600% are currently enrolled at higher rates than Young Adults. Table 5 below illustrates the impact of the "subsidy cliff", showing the net premiums for different contract sizes (e.g., Individual, 2 Person, etc.) at 300-400% of the FPL and 400-600% of the FPL. There is a significant jump in net premiums for older adults and adults who enroll with family members, as these individuals better qualify for APTCs (i.e., these individuals tend to have premiums that exceed the maximum premium paid as a percentage of income).

[28] Studies indicate that the relativity of claims between a young adult (age 21) and an older adult (age 64) is greater than 1:3, which is the premium relativity under the ACA. For example: https://theactuarymagazine.org/the-old-and-the-beautiful/

Table 5: Illustrative Comparison of Net Premiums under Current Reinsurance Program (No Subsidy), Highlighting the Net Premium (NP) Change at the "Subsidy Cliff"

Contract Type	FPL Range	Age Band				
		18-25	26-34	35-44	45-54	55-64
Individual	300-400%	3,060	3,540	4,030	4,440	4,440
	400-600%	3,060	3,540	4,030	5,520	8,300
	NP Change[29]	*0%*	*0%*	*0%*	*24%*	*87%*
2 Person	300-400%	6,000	6,000	6,000	6,000	6,000
	400-600%	6,130	7,070	8,050	11,040	16,600
	NP Change	*2%*	*18%*	*34%*	*84%*	*177%*
Family	300-400%	8,530	8,530	8,530	8,530	8,530
	400-600%	11,340	13,090	14,900	20,420	30,700
	NP Change	*33%*	*53%*	*75%*	*139%*	*260%*

Table 6 on the following page summarizes the 2022 results of the modeling.

[29] Calculated as the incremental increase for a contract holder moving from 300-400% of the FPL to 400-600%, assuming the same age and contract type.

Table 6: Summary of Impact by Scenario for 2022

Field	Baseline	Reinsurance (RI)	RI + AASE	RI + AYEA	RI + AASE 34	RI + AASE 47	RI + FFSE 9.78%	RI + FFSE 12.5%	RI + FFSE 15%
Total Non-Group Enrollment	184,054	226,017	233,444	228,548	226,248	230,357	230,175	227,840	227,100
APTC Enrollment	134,346	134,346	143,222	136,937	133,983	139,259	133,687	133,687	133,687
APTC + YA Subsidy Enrollment	0	0	47,001	40,483	36,122	91,925	0	0	0
400+ Extension Enrollment	0	0	0	0	0	0	25,892	17,135	8,729
Total Non-Group Premium PMPM	$803	$447	$430	$441	$446	$437	$445	$446	$447
APTC (Gross/ Net) Premium PMPM	$883/$123	$480/$122	$456/$100	$471/$113	$479/$119	$466/$108	$473/$122	$477/$122	$478/$122
APTC + YA Subsidy (Gross/Net) Premium PMPM	-	-	$284/$49	$289/$84	$291/$95	$355/$95	-	-	-
400+ Extension (Gross/Net) Premium PMPM	-	-	-	-	-	-	$573/$396	$644/$531	$609/$487
Total Premiums	$1,772,967,310	$1,212,602,090	$1,204,613,366	$1,209,310,116	$1,211,810,594	$1,208,266,544	$1,228,473,585	$1,219,591,028	$1,217,188,769
Total APTCs[30]	$1,225,658,426	$576,989,444	$566,166,851	$572,964,556	$573,775,842	$570,467,068	$564,058,309	$569,686,220	$571,493,977
Total YA Subsidy	-	-	$45,782,757	$15,942,912	$5,546,084	$27,196,472	-	-	-
Total 400-600 Subsidy	-	-	-	-	-	-	$54,917,096	$23,305,812	$12,848,674
Reinsurance Funding	-	$447,975,589	$448,108,062	$448,020,740	$448,094,833	$448,053,003	$448,330,383	$448,131,103	$448,067,947
RI Reduction in Premiums	-	-28.5%	-28.6%	-28.6%	-28.6%	-28.6%	-28.6%	-28.6%	-28.6%
RI Assessment	-	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Reduction in Premiums (Improved Morbidity)	-	-22.8%	-25.7%	-23.9%	-22.9%	-24.5%	-23.2%	-23.0%	-22.9%
Estimated APTC Savings[31]	-	$648,668,982	$659,491,575	$652,693,870	$651,882,584	$655,191,358	$661,600,117	$655,972,206	$654,164,449
Estimated Net Federal Savings	-	$622,915,321	$633,308,233	$626,780,412	$626,001,336	$629,178,744	$635,333,061	$629,928,591	$628,192,606
Estimated Pass Through (RI-only)	-	139%	141%	140%	140%	140%	142%	141%	140%
Total State Funds (RI- only)	-	$118,896,671	$118,896,671	$118,896,671	$118,896,671	$118,896,671	$118,896,671	$118,896,671	$118,896,671

[30] In the reinsurance modeling performed previously, enrollment by age and income was not provided in the data. A simplified methodology of calculating APTCs was used looking at historical ratios of gross and net premiums to APTCs. In this modeling, enrollment by age and income was provided and used. Correspondingly, APTCs were estimated through using the gross premiums, age curves and subsidy structures.

[31] Based on the changes to APTC calculations (in the previous footnote), the APTC savings were updated.

Comparison to Prior Reports

Table 1c compares the current enrollment projections to those in the February 19, 2020 report – note, several of the subsidies were not analyzed in the prior report ("N/A" in the table below).

Table 1c: Comparison of 3-Year Enrollment Impact by Scenario

Scenario	AASE	AYEA	AASE 34	AASE 47[32]	FFSE 9.78%	FFSE 12.5%	FFSE 15%
Current 2022-2024 Increase in Enrollment	15,900	5,400	500	9,300	8,900	3,900	2,300
Prior 2021-2023 Increase in Enrollment	15,000	7,400	N/A	N/A	2,800	N/A	N/A

There are several reasons driving changes to the above enrollment projections:

1. **Underlying data changes** – MHBE provided more granular enrollment data, especially enrollment by contract size (i.e., the number of enrolled members by contract holder), which impacts premium, APTC, and subsidy calculations. Previously, L&E made assumptions based on carrier filings to estimate the number of enrollees in age and income groupings by single, 2-person, and family tiers. The contract holder breakdown across all age and income groupings were assumed to be the same. With the updated data, this assumption is no longer needed.

   Second, the uninsured population was updated based on more current data. A previous data set provided by Families USA showed 195,500 uninsured adults in Maryland. An updated data set used in this analysis showed 156,400 uninsured adults. There were sizeable changes in the age and income breakdown of the uninsured. For example, the estimated number of uninsured adults above 400%+ FPL increased from 42,300 to 58,100 and the uninsured adults from ages 19-34 dropped from 94,000 to 67,200.

2. **Subsidy uptake methodology refinement** – Through reviewing the past analysis, L&E refined the methodology used to project the number of uninsured that would take up coverage due to a Young Adult or an FFSE subsidy. Previously, a single regression across young and middle-aged adults was used based on comparing the enrollment rate to the maximum percentage of income that individuals are required to spend before the subsidies was used. In this updated report, L&E modified the approach to include a set of regressions, one for each age band (e.g. 18-25, 26-34, etc.) that compared the enrollment rate to the net premium as a percentage of income. L&E believes this methodology is more in-line with actual human behavior in two ways: a) consumers make a decision off the net premium they

[32] Includes adults 35-47, which is not included in the first three Young Adult subsidies.

will pay, not based on an income cap; and b) consumer behavior varies across ages. The updated regressions showed that younger adults (e.g., 18-25) were more price sensitive than older adults (e.g., 55-64). In other words, decreasing net premiums for younger adults leads to a larger increase in the enrollment of younger adults than a similar decrease in net premiums for older adults.

Sustained Uninsured Rates

The best estimate modelling used in this report assumes Maryland's uninsured rate returns to pre-COVID-19 levels starting in 2022, the first year the subsidies would be available. Note, there are publicly available reports that have differing perspectives on COVID-19's impact on the uninsured rates. One report (Families USA) has estimated up to 75,000[33] adults have become uninsured in Maryland, while another (Commonwealth Fund) suggests that the uninsured rate is not significantly different[34] as a result of COVID-19.

The following analysis assumes that COVID-19 will have a significant impact on Maryland's uninsured rates, that is, similar to the Families USA report. This analysis provides the MHBE and MIA a "worst-case uninsured" perspective. The MHBE and MIA may want to revisit this analysis as additional uninsured data becomes available.

If the impact of COVID-19 continues to linger into 2022 and beyond, the subsidy enrollment and costs are expected to be higher (i.e., more uninsured, more people available to take up coverage).

In the best estimate scenario, there are approximately 156,400[35] uninsured adults under age 65 that could take up coverage in the Individual market. Families USA estimated approximately 75,000[36] adults under the age of 65 would lose healthcare coverage due to the pandemic. Of these, approximately 18,000[37] have taken up coverage during Special Enrollment Period for COVID-19 and Easy Enrollment. Additionally, approximately 23% and 28%[38] of the 75,000 are unlawfully present and estimated to be eligible for Medicaid, respectively, and thus assumed to be excluded from potential enrollment in the Individual market. After these adjustments, there is approximately 19,000 more uninsured adults that could take up coverage in the Individual market under a sustained uninsured scenario than in the best estimate scenario.

Table 1d shows the estimated increase in enrollment under each subsidy approach by 2024 for the best-estimate (as discussed previously) and a "Sustained Uninsured". Table 4d compares the

[33] Based on 2020 analysis from Families USA: https://familiesusa.org/wp-content/uploads/2020/07/COV-254_Coverage-Loss_Report_7-17-20.pdf
[34] Based on a 2020 survey conducted by Commonwealth Fund: https://www.commonwealthfund.org/publications/issue-briefs/2020/aug/looming-crisis-health-coverage-2020-biennial
[35] Based on 2018 data from Families USA; assuming that uninsured levels return to pre-COVID-19 levels
[36] Based on 2020 analysis from Families USA: https://familiesusa.org/wp-content/uploads/2020/07/COV-254_Coverage-Loss_Report_7-17-20.pdf
[37] Based on 2020 data from MHBE
[38] Based on 2018 data from Families USA from the 2020 analysis: https://familiesusa.org/wp-content/uploads/2020/07/COV-254_Coverage-Loss_Report_7-17-20.pdf

cost of enrolling new members for 2022 between the best-estimate and sustained uninsured scenarios. The proposed subsidies will have a greater impact on enrollment under the sustained uninsured rate scenario, and therefore the cost for the subsidies will be higher.

Table 1d: Comparison of 3-Year Enrollment Impact by Scenario

Scenario	AASE	AYEA	AASE 34	AASE 47[39]	FFSE 9.78%	FFSE 12.5%	FFSE 15%
2022-2024 Increase in Enrollment (Best-Estimate)	15,900	5,400	500	9,300	8,900	3,900	2,300
2022-2024 Increase in Enrollment (Sustained Uninsured)	19,100	7,600	800	12,600	10,000	4,400	2,600

Table 4d: Comparison of Subsidy Cost per New Enrollee

Scenario	2022 – Best Estimate			2022 – Sustained Uninsured		
	Cost	New Members	Cost per New Member	Cost	New Members	Cost per New Member
AASE	$45,782,757	9,535	$4,802	$48,169,124	11,464	$4,202
AYEA	$15,942,912	3,250	$4,906	$16,592,551	4,577	$3,626
AASE 34	$5,546,084	296	$18,747	$5,619,372	459	$12,243
AASE 47	$27,196,472	5,572	$4,881	$28,315,171	7,563	$3,744
FFSE 9.78%	$54,917,096	5,333	$10,298	$56,132,683	5,993	$9,367
FFSE 12.5%	$23,305,812	2,337	$9,970	$23,834,753	2,627	$9,074
FFSE 15%	$12,848,674	1,388	$9,256	$13,128,669	1,560	$8,416

[39] Includes adults 35-47, which is not included in the first three Young Adult subsidies.

SUPPORT TABLES

Table 7: Age Adjustment Subsidy Enhancement, Applicable Percentage

AASE	Applicable Ages	Federal Poverty Line (FPL)		% of Income (Applicable Percentage)	
		Minimum	Maximum	Minimum	Maximum
Pre-subsidy; Post-subsidy for all non-Young Adults	All	0%	133%	0.00%	2.06%
	All	133%	150%	3.09%	4.12%
	All	150%	200%	4.12%	6.49%
	All	200%	250%	6.49%	8.29%
	All	250%	300%	8.29%	9.78%
	All	300%	400%	9.78%	9.78%
Post-subsidy for all Young-Adults	18-25	0%	133%	0.00%	0.67%
	18-25	133%	150%	1.01%	1.34%
	18-25	150%	200%	1.34%	2.12%
	18-25	200%	250%	2.12%	2.70%
	18-25	250%	300%	2.70%	3.19%
	18-25	300%	400%	3.19%	3.19%
	26-34	0%	133%	0.00%	0.78%
	26-34	133%	150%	1.16%	1.55%
	26-34	150%	200%	1.55%	2.44%
	26-34	200%	250%	2.44%	3.12%
	26-34	250%	300%	3.12%	3.68%
	26-34	300%	400%	3.68%	3.68%

Table 8: Advancing Youth Enrollment Act, Applicable Percentage

AYEA	Applicable Ages	Federal Poverty Line (FPL)		% of Income (Applicable Percentage)	
		Minimum	Maximum	Minimum	Maximum
Pre-subsidy; Post-subsidy for all non-Young Adults	All	0%	133%	0.00%	2.06%
	All	133%	150%	3.09%	4.12%
	All	150%	200%	4.12%	6.49%
	All	200%	250%	6.49%	8.29%
	All	250%	300%	8.29%	9.78%
	All	300%	400%	9.78%	9.78%
Post-subsidy for all Young-Adults	18-25	0%	133%	0.00%	0.00%
	18-25	133%	150%	0.59%	1.62%
	18-25	150%	200%	1.62%	3.99%
	18-25	200%	250%	3.99%	5.79%
	18-25	250%	300%	5.79%	7.28%
	18-25	300%	400%	7.28%	7.28%
	26-34	0%	133%	0.41%	0.41%
	26-34	133%	150%	1.22%	2.25%
	26-34	150%	200%	2.25%	4.62%
	26-34	200%	250%	4.62%	6.42%
	26-34	250%	300%	6.42%	7.91%
	26-34	300%	400%	7.91%	7.91%

Table 9: Age Adjustment Subsidy Enhancement Cliffless to 34, Applicable Percentage

AASE 34	Applicable Ages	Federal Poverty Line (FPL)		% of Income (Applicable Percentage)	
		Minimum	Maximum	Minimum	Maximum
Pre-subsidy; Post-subsidy for all non-Young Adults	All	0%	133%	0.00%	2.06%
	All	133%	150%	3.09%	4.12%
	All	150%	200%	4.12%	6.49%
	All	200%	250%	6.49%	8.29%
	All	250%	300%	8.29%	9.78%
	All	300%	400%	9.78%	9.78%
Post-subsidy for all Young-Adults	18-25	0%	133%	0.00%	1.65%
	18-25	133%	150%	2.47%	3.30%
	18-25	150%	200%	3.30%	5.20%
	18-25	200%	250%	5.20%	6.64%
	18-25	250%	300%	6.64%	7.83%
	18-25	300%	400%	7.83%	7.83%
	26-34	0%	133%	0.00%	1.90%
	26-34	133%	150%	2.86%	3.81%
	26-34	150%	200%	3.81%	6.00%
	26-34	200%	250%	6.00%	7.66%
	26-34	250%	300%	7.66%	9.04%
	26-34	300%	400%	9.04%	9.04%

Table 10: Age Adjustment Subsidy Enhancement Cliffless to 47, Applicable Percentage

AASE 47	Applicable Ages	Federal Poverty Line (FPL)		% of Income (Applicable Percentage)	
		Minimum	Maximum	Minimum	Maximum
Pre-subsidy; Post-subsidy for all non-Young Adults	All	0%	133%	0.00%	2.06%
	All	133%	150%	3.09%	4.12%
	All	150%	200%	4.12%	6.49%
	All	200%	250%	6.49%	8.29%
	All	250%	300%	8.29%	9.78%
	All	300%	400%	9.78%	9.78%
Post-subsidy for all Young-Adults	18-25	0%	133%	0.00%	1.23%
	18-25	133%	150%	1.85%	2.47%
	18-25	150%	200%	2.47%	3.88%
	18-25	200%	250%	3.88%	4.96%
	18-25	250%	300%	4.96%	5.85%
	18-25	300%	400%	5.85%	5.85%
	26-34	0%	133%	0.00%	1.42%
	26-34	133%	150%	2.13%	2.85%
	26-34	150%	200%	2.85%	4.48%
	26-34	200%	250%	4.48%	5.73%
	26-34	250%	300%	5.73%	6.76%
	26-34	300%	400%	6.76%	6.76%
	35-44	0%	133%	0.00%	1.62%
	35-44	133%	150%	2.43%	3.24%
	35-44	150%	200%	3.24%	5.10%
	35-44	200%	250%	5.10%	6.52%
	35-44	250%	300%	6.52%	7.69%
	35-44	300%	400%	7.69%	7.69%
	45-47	0%	133%	0.00%	1.89%
	45-47	133%	150%	2.84%	3.79%
	45-47	150%	200%	3.79%	5.96%
	45-47	200%	250%	5.96%	7.62%
	45-47	250%	300%	7.62%	8.99%
	45-47	300%	400%	8.99%	8.99%

Table 11: 400%+ FPL Subsidy Extension, Applicable Percentage

Scenario	Applicable Ages	Federal Poverty Line (FPL)		% of Income (Applicable Percentage)	
		Minimum	Maximum	Minimum	Maximum
Pre-subsidy for 400-600% FPL	All	400%	600%	n/a	n/a
Post-subsidy for 400-600% FPL 9.78%	All	400%	600%	9.78%	9.78%
Post-subsidy for 400-600% FPL 12.5%	All	400%	600%	12.50%	12.50%
Post-subsidy for 400-600% FPL 15%	All	400%	600%	15.00%	15.00%

APPENDICES

APPENDIX A: CAVEATS

L&E performed reasonability tests on the data used; however, L&E did not perform a detailed audit of the data. To the extent that the information provided was incomplete or inaccurate, the results in this report may be incomplete or inaccurate.

L&E made several assumptions in performing the analysis. Several of these assumptions are subject to material uncertainty and it is not unexpected that actual results could materially differ from the projections. Examples of uncertainty inherent in the assumptions include, but are not limited to:

- Data Limitations.
  - L&E relied on the data submitted from the insurers and provided by the MHBE for significant portions of this analysis. To the extent that the data is inaccurate, the analysis will be impacted.
- Enrollment Uncertainty.
  - Beyond changes to premiums and market wide programs, consumer responses to these has inherent uncertainty. Therefore, actual enrollment could vary significantly.
- Political and Health Policy Uncertainty.
  - Future federal or state actions could dramatically change premiums and enrollment in 2021 and later years.
- Risk Adjustment Transfers.
  - Given historical enrollment changes in the Maryland market, estimates of risk adjustment transfers by cost category is highly uncertain.
- COVID-19 Pandemic
  - Claims data used in modeling is through May 2020 and likely does not reflect the full impact of the COVID-19 global pandemic.

This report has been prepared for the MHBE for discussion purposes in relation to the Young Adult and 400%+ Extension subsidies analysis. Any other use may not be appropriate. L&E understands that this report may be distributed to other parties; however, any user of this report must possess a certain level of expertise in actuarial science and/or health insurance so as not to misinterpret the data presented. Any distribution of this report should be made in its entirety. Any third party with access to this report acknowledges, as a condition of receipt, that L&E does not make any representations or warranties as to the accuracy or completeness of the material. Any third party with access to these materials cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.

APPENDIX B: DISCLOSURES

The Actuarial Standards Board (ASB), vested by the U.S.-based actuarial organizations[40], promulgates actuarial standards of practice (ASOPs) for use by actuaries when providing professional services in the United States.

Each of these organizations requires its members, through its Code of Professional Conduct[41], to observe the ASOPs of the ASB when practicing in the United States. ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained below.

IDENTIFICATION OF THE RESPONSIBLE ACTUARIES

The responsible actuaries are:

- Josh Hammerquist, FSA, MAAA, Vice President & Principal
- Michael Lin, FSA, MAAA, Vice President & Consulting Actuary
- Dave Dillon, FSA, MAAA, MS, Senior Vice President & Principal

The actuaries are available to provide supplementary information and explanation.

IDENTIFICATION OF ACTUARIAL DOCUMENTS

The date of this document is September 21, 2020. The date (a.k.a. "latest information date") through which data or other information has been considered in performing this analysis is September 21, 2020.

DISCLOSURES IN ACTUARIAL REPORTS

- The contents of this report are intended for the use of the Maryland Health Benefit Exchange. Any third party with access to this report acknowledges, as a condition of receipt, that they cannot bring suit, claim, or action against L&E, under any theory of law, related in any way to this material.
- Lewis & Ellis Inc. is financially and organizationally independent from the companies that participate in the Maryland individual market. L&E is not aware of anything that would impair or seem to impair the objectivity of the work.
- The purpose of this report is to assist the MHBE with an analysis of proposed subsidy programs.
- The responsible actuaries identified above are qualified as specified in the Qualification Standards of the American Academy of Actuaries.

[40] The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conoference of Consulting Actuaries, and the Society of Actuaries.
[41] These organizations adopted identical Codes of Professional Conduct effective January 1, 2001.

- Lewis & Ellis has reviewed the data provided for reasonableness but has not audited it. L&E nor the responsible actuary assumes responsibility for items that may have a material impact on the analysis. To the extent that there are material inaccuracies in, misrepresentations in, or lack of adequate disclosure by the data, the results may be accordingly affected.
- Besides the COVID-19 pandemic, L&E is not aware of other subsequent events that may have a material effect on the findings.

ACTUARIAL FINDINGS

The actuarial findings of the report can be found in the body of this report.

METHODS, PROCEDURES, ASSUMPTIONS, AND DATA

The methods, procedures, assumptions and data used can be found in the body of this report.

ASSUMPTIONS OR METHODS PRESCRIBED BY LAW

This report was prepared as prescribed by applicable law, statutes, regulations and other legally binding authority.

RESPONSIBILITY FOR ASSUMPTIONS AND METHODS

The actuaries do not disclaim responsibility for material assumptions or methods.

DEVIATION FROM THE GUIDANCE OF AN ASOP

The actuaries do not believe that material deviations from the guidance set forth in an applicable ASOP have been made.