Young Adult Premium Subsidy Proposed Parameters

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Maryland Health Benefit Exchange

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MARYLAND HEALTH BENEFIT EXCHANGE

Agenda

1. Background

2. Proposed Program Parameters
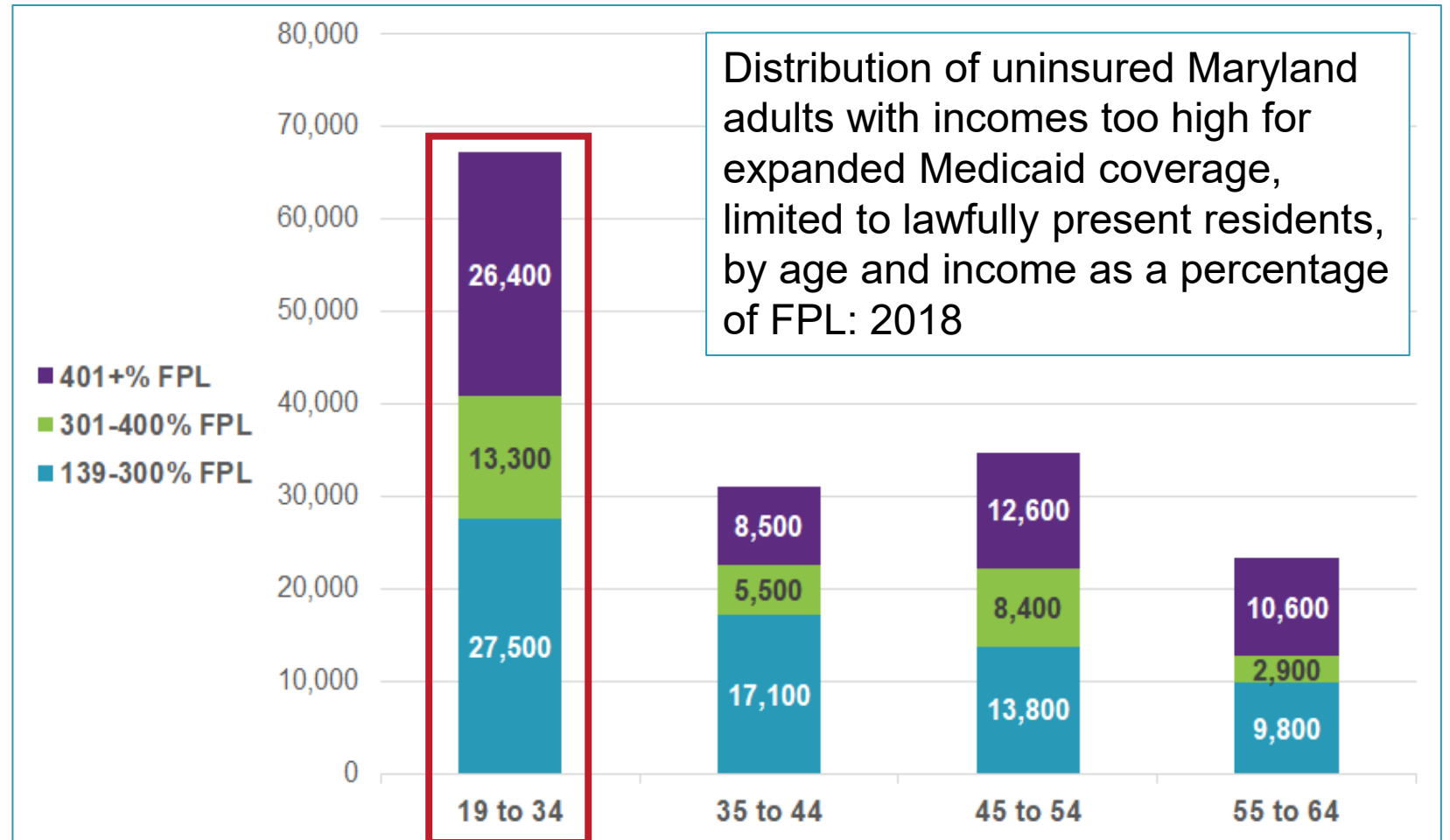
3. Next Steps

Background

- HB 780/SB 729 (2021), which establish a young adult subsidy pilot program, passed the legislature. If the Governor takes no action, they will become law on June 1.

- This legislation grew out of work done throughout 2020.
  - In accordance with HB 196/SB 124 (2020), MHBE submitted a report to the legislature evaluating a state-based individual market health insurance subsidy on Dec. 1, 2020. To inform the report:
    - MHBE worked with Lewis & Ellis, in consultation with the MIA, to complete an actuarial analysis, which was published for public comment from Oct. 2-Nov. 2, 2020.
    - MHBE formed a stakeholder work group that met in fall 2020 and produced a report of recommendations.

HB 780/SB 729 – Maryland Health Benefit Exchange – State-Based Young Adult Health Insurance Subsidies Pilot Program

- Directs MHBE, in consultation with the Insurance Commissioner and as approved by the Board, to establish eligibility and payment parameters for the pilot program in 2022 and 2023
    - MHBE shall consider young adults 18-40, between 133% and 400% FPL

- Directs MHBE to adopt implementing regulations by Jan. 1, 2022

- Subject to available funds, in FY 22-24 MHBE may designate reinsurance funds to be used for the program so that not more than $20M in annual subsidies may be provided in CY 22 and 23

Uninsured Maryland Adults by Age and Federal Poverty Level

Young adults are the largest group of uninsured (67,200; 43% of adult uninsured). A majority are below 400% FPL.

Distribution of uninsured Maryland adults with incomes too high for expanded Medicaid coverage, limited to lawfully present residents, by age and income as a percentage of FPL: 2018

Legend:
- 401+% FPL
- 301-400% FPL
- 139-300% FPL

Age	139-300% FPL	301-400% FPL	401+% FPL
19 to 34	27,500	13,300	26,400
35 to 44	17,100	5,500	8,500
45 to 54	13,800	8,400	12,600
55 to 64	9,800	2,900	10,600

Source: Analysis by Families USA National Center for Coverage Innovation of 2018 data from the American Community Survey. IPUMS USA, University of Minnesota, www.ipums.org. Note: ACS data do not include immigration status. These estimates impute immigration status based generally on previous Urban Institute results.

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Proposed 2022 Young Adult Subsidy Program Parameters

Eligibility
- Age: 18-34 (18 or older; younger than 35)
- Income: 138% to 400% FPL
- Eligible to enroll through MHC
- Enrolled through MHC
- Enrollment cap if projections indicate that budget may be exceeded

Subsidy Design
- Reduce the maximum expected contribution by 2.5% between ages 18 and 30
- For ages 31 to 35, reduce the 2.5% reduction by 0.5% each year
- Projected 2022 cost: $17M

Expected Contribution (EC) for Benchmark Plan

% FPL	Federal EC	Proposed MD Young Adult EC					
		18-30	**31**	**32**	**33**	**34**	**35**
		-2.5%	*-2.0%*	*-1.5%*	*-1.0%*	*-0.5%*	*-0.0%*
≤150	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
200	2.00%	0.00%	0.00%	0.50%	1.00%	1.50%	2.00%
250	4.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
300	6.00%	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%
400	8.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%

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# Proposed MD Young Adult Subsidy Expected Contribution Levels by FPL, Compared to Federal Levels
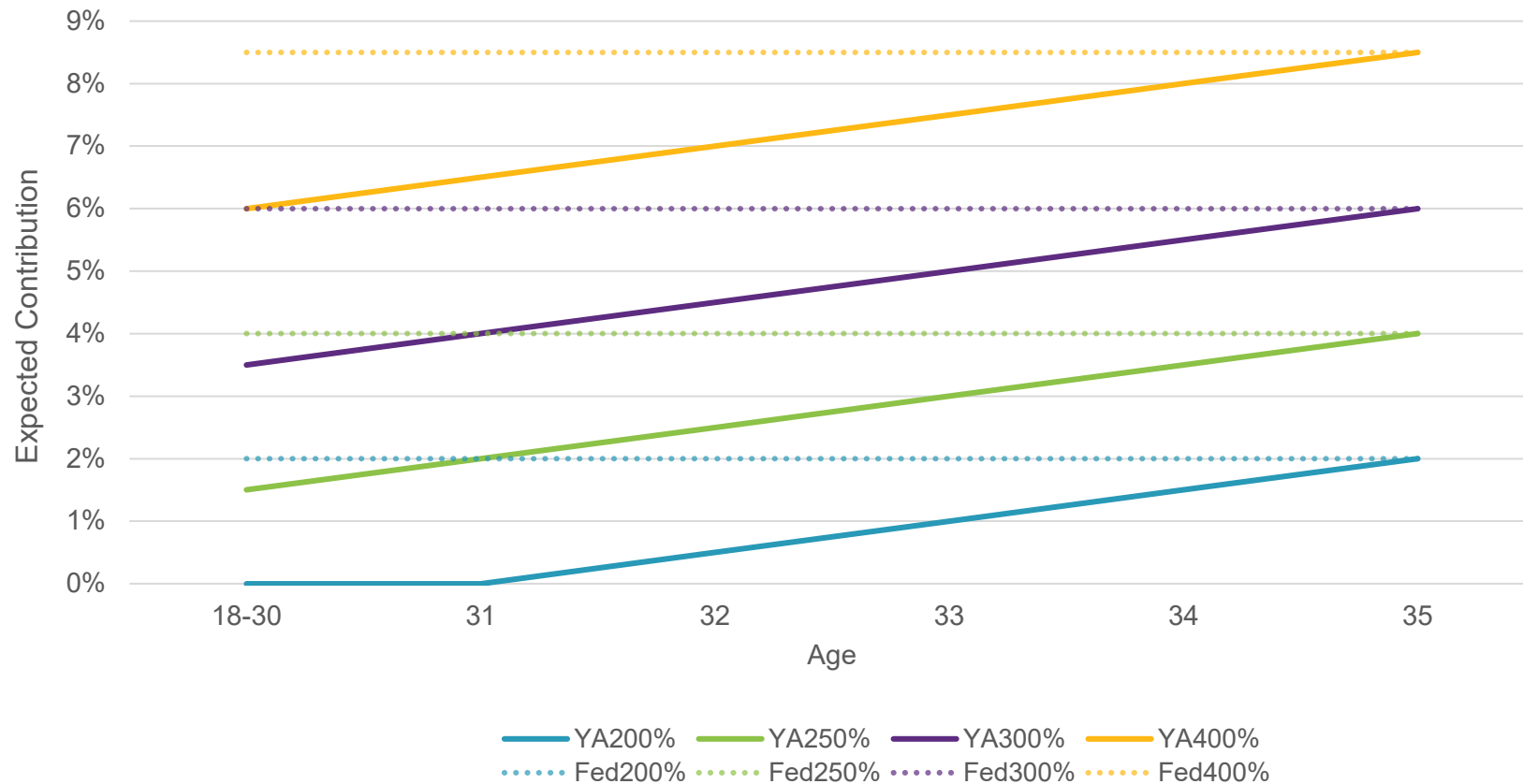
Young Adult Subsidy Example: 28-year-old in Baltimore City

Benchmark Plan Monthly Premium After APTC		Benchmark Plan Monthly Premium After APTC + State Subsidy	
Income	$31,900	Income	$31,900
FPL	250%	FPL	250%
Federal EC	4.00%	State EC	1.50%
SLCSP cost	$293	SLCSP cost	$293
APTC	$187	APTC	$187
State Subsidy	n/a	State Subsidy	$66
Net Premium	**$106**	**Net Premium**	**$40**

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Other Subsidy Structures Considered

Maximum Applicable Percentage by Subsidy and Age at 200% of the FPL
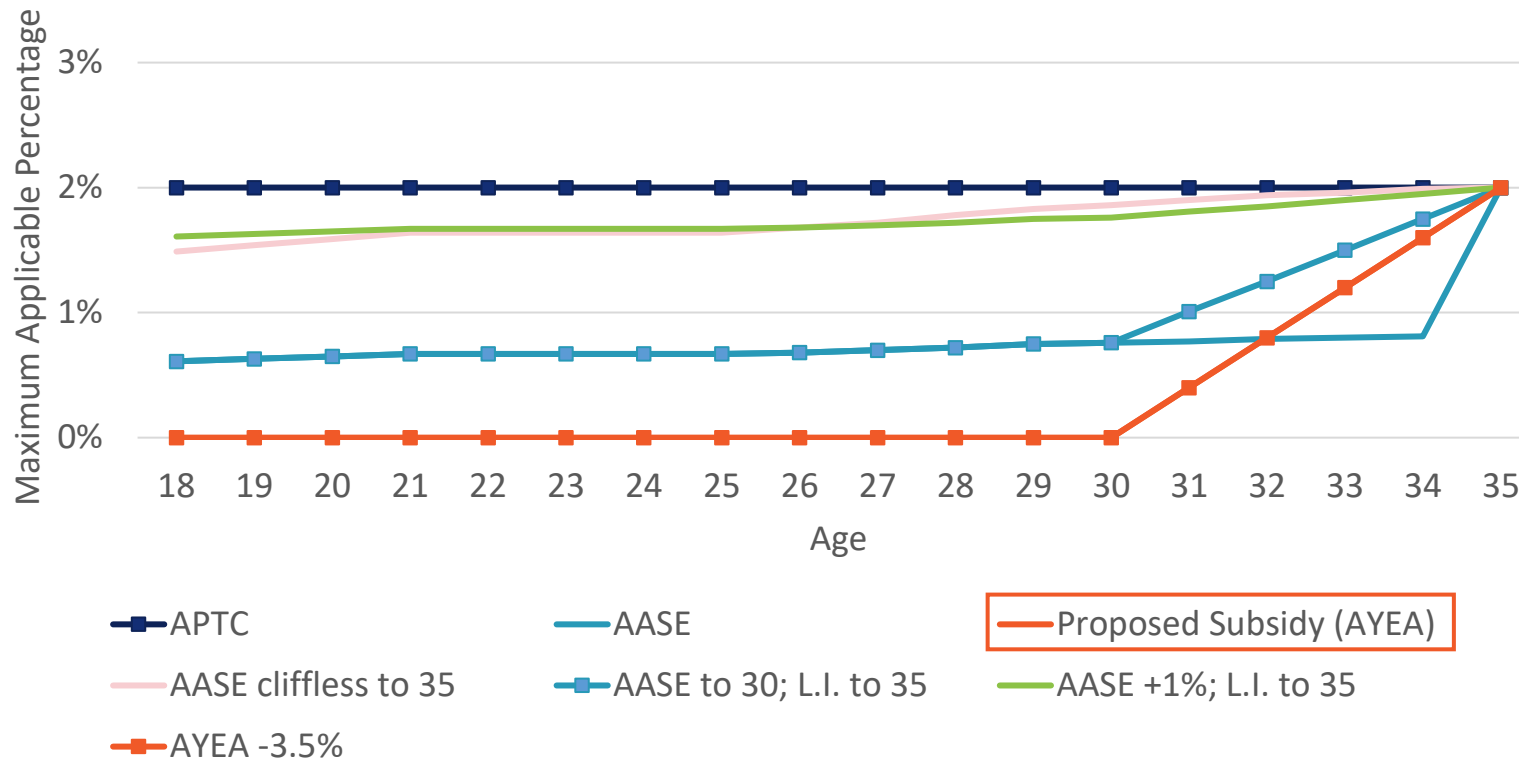
- This graph illustrates the impact of each subsidy by age.
- The graph focuses on an individual at 200% of the FPL – these lines will vary at other income levels.
  - For higher incomes (e.g., 300% of FPL), AASE becomes the richest subsidy structure.

Next Steps

- April 19: Board votes on proposed 2022 parameters

- April 19-30: Public comment period

- May 17: Board votes on final 2022 parameters

Motion

I move to [approve/defer/reject] the proposed young adult premium subsidy parameters for plan year 2022 [as presented] *or* [as amended].

Appendix

Reinsurance Update

- Our last actuarial analysis in July 2020 estimated federal funding would exceed program cost for all years of the waiver

- Recent data challenges some assumptions in the July 2020 analysis
  - *Lower federal funding for 2021*: CMS estimate for 2021 is 25% below 2020 level
    - Federal funding may increase if recalculated to account for American Rescue Plan Act
  - *Slightly higher cost for 2020*: Recent CMS estimates lead us to estimate 2020 costs will be ~7% above projection

- Legislative draws on reinsurance funding
  - FY22 budget transfers $100M in state funds from the reinsurance fund in FY 21 and FY 22
  - SB 172 would transfer $15M in state funds from the reinsurance fund in each of FY 23-25

Actual & Projected SRP Fund Expenses and Income

	2019 Act.	2020 Est.	2021 Est.	2022 Est.	2023 Est.
SRP Cost	$352,798,597	Orig: $377,828,828 **New: 405,000,000**	Orig: $416,782,404 **New: 445,500,000**	Orig: $447,975,589 **New: 490,000,000**	Orig: $478,434,269 **New: $539,000,000**
Budget Transfer			$100,000,000	$100,000,000	
YA Subsidy				$20,000,000	$20,000,000
Health Equity					$15,000,000
Fed. Funding	$373,395,635	$447,277,359	Orig: $567,748,703 **New: $335,383,207**	Orig: $628,614,048 **New: $335,000,000**	Orig: $684,842,457 **New: $358,000,000**
State Funding	$326,889,258	$118,517,416	$112,591,545	$118,896,671	$125,554,885
End of Year Balance – Fed.	$20,249,819	$62,874,397	$0	$0	$0
End of Year Balance - State	$326,889,258	$445,406,674	$410,755,823	$254,602,494	$164,552,379

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Actual & Projected SRP Fund Expenses and Income - Caveats

- Numbers presented in previous chart are high-level estimates

- Federal funding for 2021 may be higher than shown if CMS incorporates the effect of the American Rescue Plan Act

- Lewis & Ellis will be doing a detailed update of reinsurance projections between now and July

Projected Impact of Proposed Subsidy*

2021 % enrolled of eligible	2023 % enrolled of eligible	2023 Increase in Enrollment	2023 Gross Premium PCPY	2023 Net Premium PCPY	2023 State Subsidy PCPY
41%	64%	21,800	$4,587	$713	$537

2022 YA Subsidy Cost	2023 YA Subsidy Cost	2022 Change in Morbidity – Impact to Premiums (all)	% Subsidy Recipients who are New Enrollees by 2023	2023 Cost per New Member
$17.0M	$19.4M	-4.6%	49%	$888

*Assumes ARPA APTC levels are continued in 2023

# Other Subsidy Structures Considered - Impacts

Advantages of the proposed subsidy compared to other subsidy structures that were modeled

- Most efficient as measured by cost per new member
- Increase in enrollment and impact to premiums comparable to more costly structures

- Design targets aid to lower-income young adults
- Within budget
- Simple formula

		A	B	C	D	E	F	G	H	I	J	K
Scenario	Age	2021 % enrolled of eligible	2023 % enrolled of eligible	2023 Increase in Enrollment	2023 Gross Premium PCPY	2023 Net Premium PCPY	2023 State Subsidy PCPY	2022 YA Subsidy Cost	2023 YA Subsidy Cost	2022 Change in Morbidity – Impact to Premiums (all)	% Subsidy Recipients who are New Enrollees by 2023	2023 Cost per New Member
Reinsurance	18-34	41%	41%	-	$4,782	$1,035	$0	-	-	-	-	-
Subsidies for Young Adults under 400% FPL												
AASE	18-34		67%	24,400	$4,584	$486	$857	$27.4M	$32.0M	-5.0%	53%	$1,312
Proposed Subsidy	**18-34**	41%	**64%**	**21,800**	**$4,587**	**$713**	**$537**	**$17.0M**	**$19.4M**	**-4.6%**	**49%**	**$888**
AASE 34	18-34		45%	3,300	$4,820	$948	$131	$3.1M	$3.3M	-0.8%	11%	$997
Variation of original AASE with no cliff (LI = linear interpolation)												
AASE 30; LI to 35	18-34	41%	66%	23,400	$4,598	$594	$732	$23.1M	$26.9M	-4.9%	51%	$1,148
AASE; LI to 40	18-39	*Not modeled – was most expensive YA subsidy in original modelling and would be more expensive than AASE*										
Variation between the original AASE and AYEA (LI = linear interpolation)												
AASE +1%; LI to 35	18-34	41%	57%	15,000	$4,714	$887	$532	$14.5M	$16.9M	-3.1%	39%	$1,122
AYEA -3.5%	18-34	41%	66%	23,600	$4,582	$561	$719	$23.2M	$26.5M	-4.8%	52%	$1,126

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Young Adult Subsidy Structures Detailed (1/2)

Maximum Applicable Percentage by Subsidy and Age at various FPL
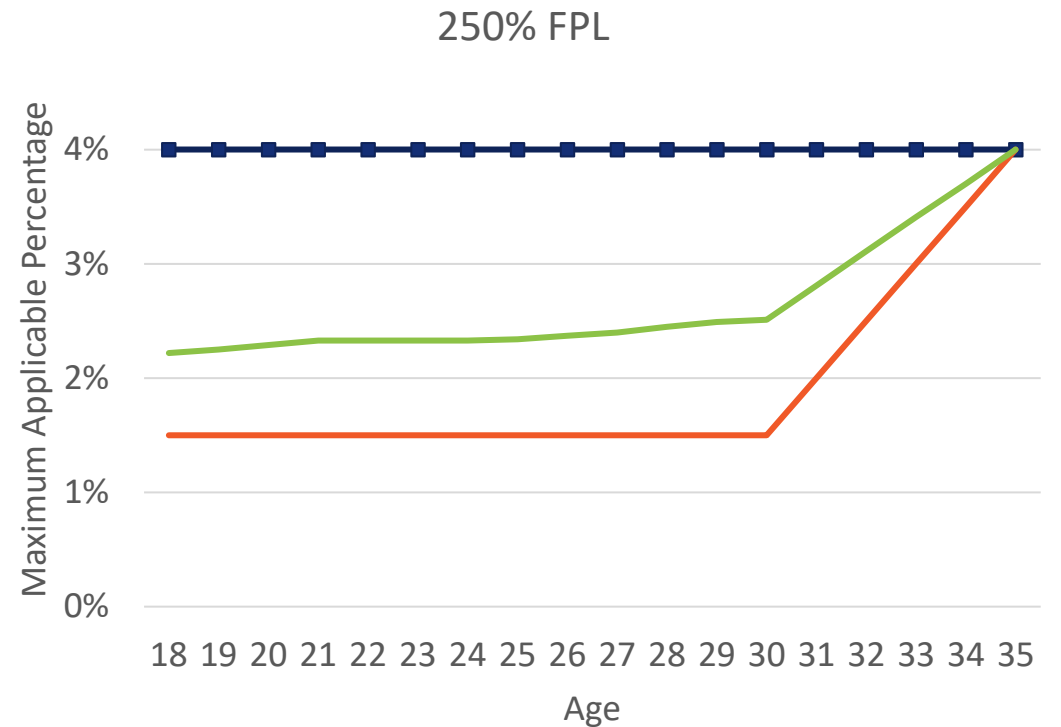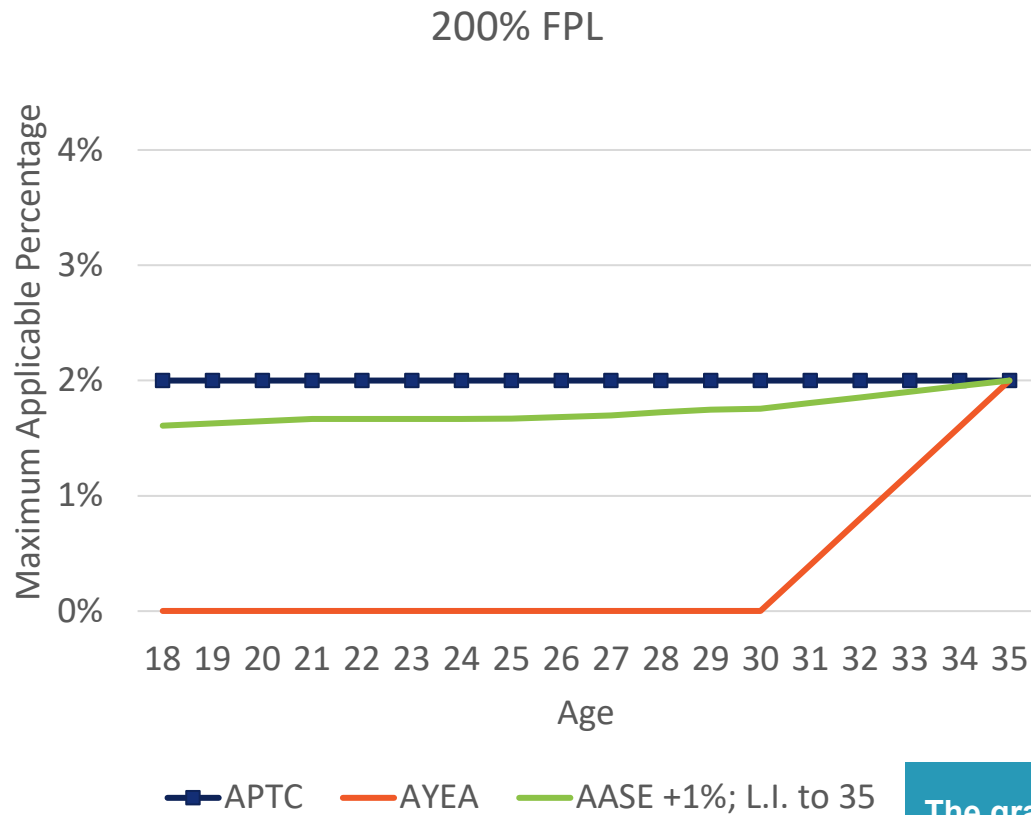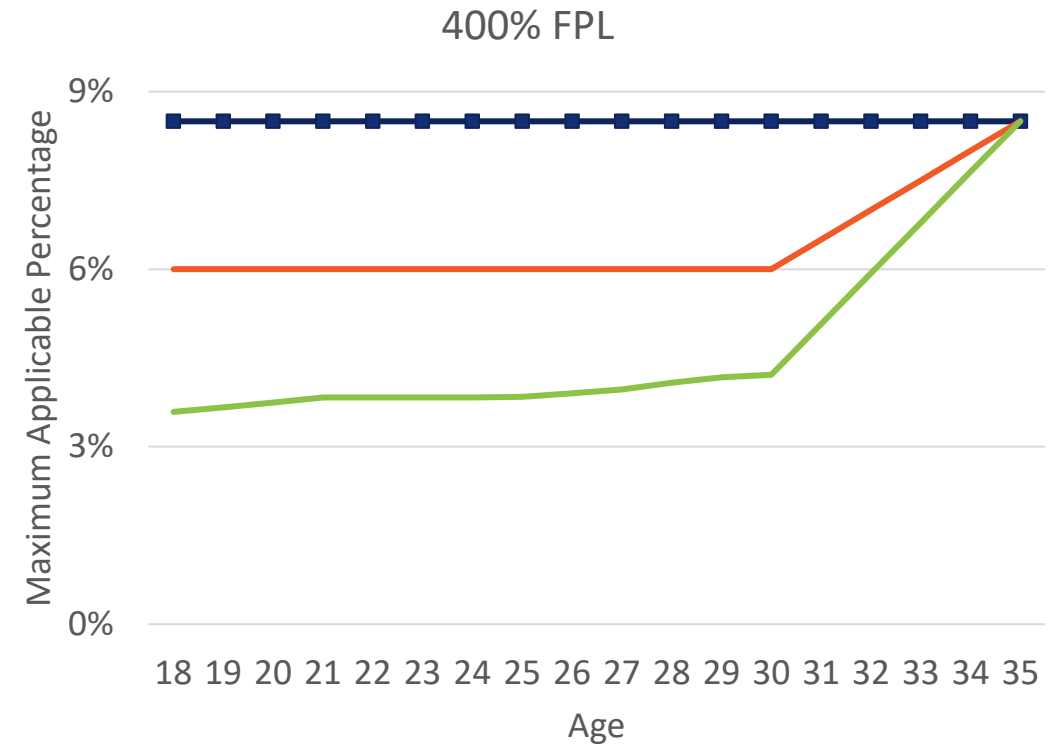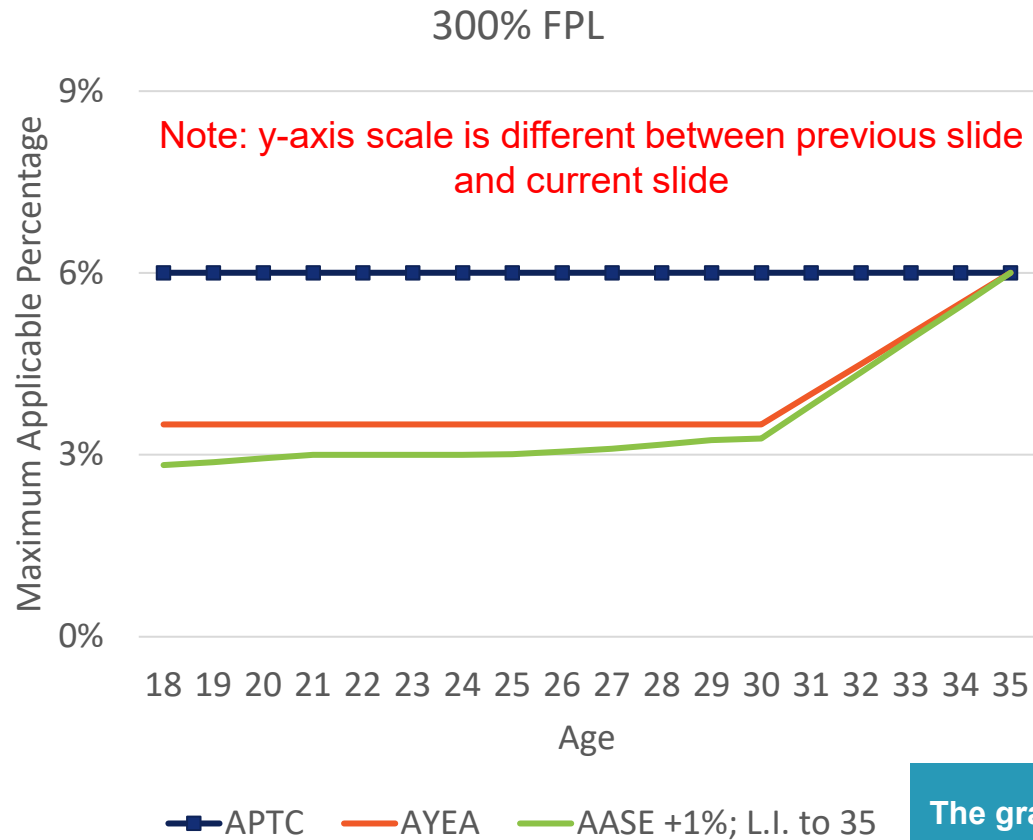

The graphs above illustrate the income cap (maximum applicable percentage) for three scenarios at various FPLs: 1) APTC (federal APTC under ARPA), 2) AYEA, and 3) AASE+1% with linear interpolation to 35. The distance between a Young Adult scenario and the APTC scenario is the state subsidy.

AYEA is richer for lower income groups (and results in a free plan for those at or below ~212% FPL), while AASE+1%, LI to 35 is richer for higher income groups.

Young Adult Subsidy Structures Detailed (2/2)

Maximum Applicable Percentage by Subsidy and Age at various FPL

300% FPL

Note: y-axis scale is different between previous slide and current slide

400% FPL

Legend: APTC — AYEA — AASE +1%; L.I. to 35

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Young Adult Subsidy Structures Formulas

AYEA
- **Subsidy formula**
  - Reduce the maximum applicable percentage by 2.5% between ages 18 and 30.
  - For ages 30 to 35, reduce the 2.5% reduction by 0.5% for each age (i.e., 2.0% for 31, 1.5% for 32, …, 0% for 35 etc.)
- **Examples**
  - A 21-year-old at 200% of FPL pays 2% of income on premiums (under ARPA APTC structure). The AYEA would reduce this young adult's percentage to 0% (2% - 2.5% = -0.5%, which is floored at 0%).
  - A 33-year-old at 300% of FPL pays 6% of income on premiums (under ARPA APTC structure). The AYEA would reduce this young adult's percentage to 5% (6% - 2.5% + (0.5% X 3)) = 5%).

AASE+1%, LI to 35
- **Subsidy formula**
  - For ages 18 to 30, use the formula: $New\ Applicable\ Percentage = Federal\ Applicable\ Percentage * \left(\frac{Enrollee's\ Avg.\ Age\ Rate^1}{3}\right) + 1\%$
  - Between ages 30 to 35, linearly interpolate the applicable percentage from the new applicable percentage for age 30 and the federal applicable percentage (since age 35 does not qualify for a subsidy).
- **Examples**
  - A 21-year-old at 200% of FPL pays 2% of income on premiums (under ARPA APTC structure). The AASE+1%, LI to 35 would reduce this young adult's percentage to 1.67% (2% X (1[1] / 3) + 1% = 1.67%).
  - A 33-year-old at 300% of FPL pays 6% of income on premiums (under ARPA APTC structure). The AASE+1%, LI to 35 would reduce this young adult's percentage to 4.91%.
    - For age 30 at 300% FPL, the applicable percentage would be 3.27% (6% X (1.135[1] / 3) + 1% = 3.27%)
    - For age 35 at 300% FPL, the applicable percentage would be 6% (does not qualify for a subsidy).
    - Linearly interpolating between the two, results in 4.91% for age 33.

The Reinsurance Program Has Successfully Reduced Premiums

- Monthly premiums are down an average of 11.9% for 2021, and more than 30% compared to 2018
- In 2021, Maryland's lowest cost plans will be about 20-30% below US averages, depending on metal level

Plan Year	Individual Premium Change
2014	n/a
2015	10%
2016	18%
2017	21%
2018	50%*
2019	-13%
2020	-10%
2021	-12%

Average Lowest Cost Premiums, MD and US
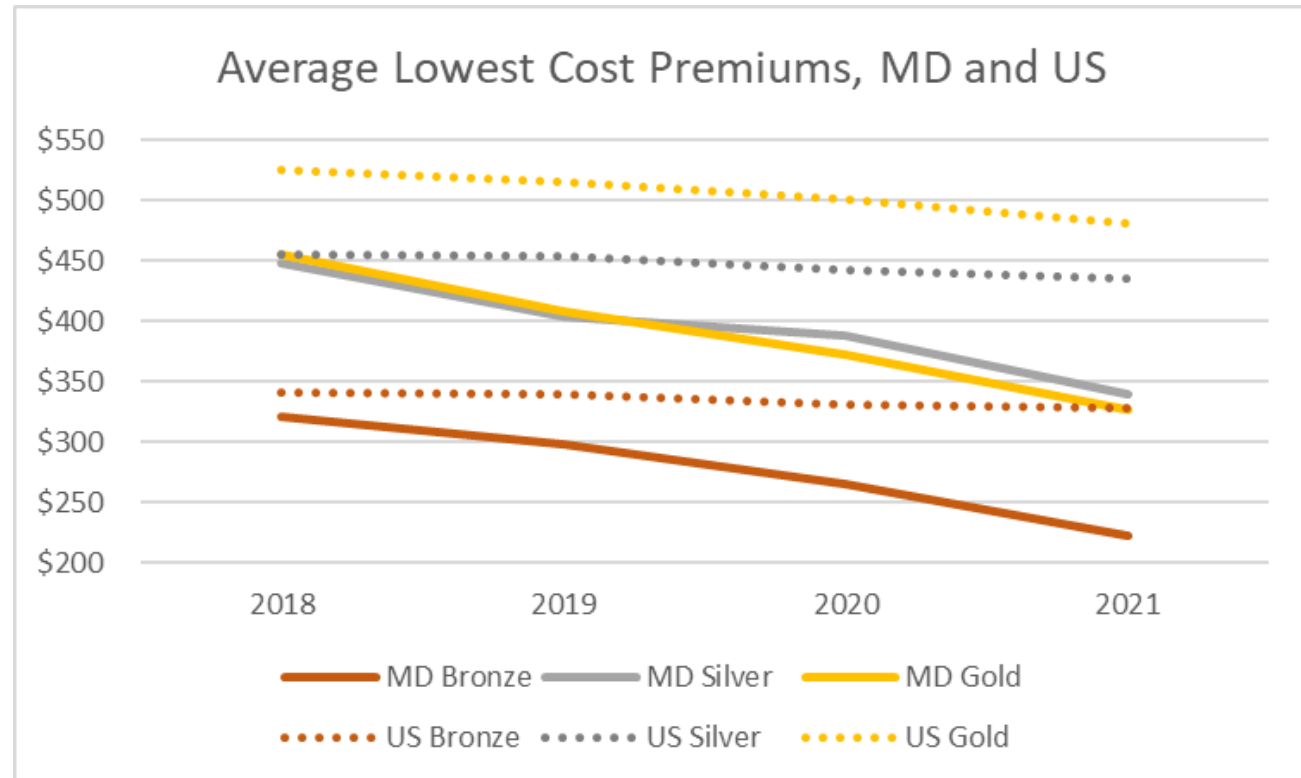
Data from Kaiser Family Foundation, "Average Marketplace Premiums by Metal Tier, 2018-2020", available at https://www.kff.org/health-reform/state-indicator/average-marketplace-premiums-by-metal-tier

*This reflects increases to on-exchange silver plan premiums to adjust for the fact that the federal government stopped making cost-sharing reduction payments. Absent this adjustment, the average premium change would have been 28%. The additional increase is largely born by higher APTCs from the federal government rather than paid directly by consumers.

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But Not Everyone Feels the Benefit of the Reinsurance Program

- The benefits of the reinsurance program are primarily felt by households earning >300% FPL and particularly households earning >400% FPL (about $51,000 for an individual or $105,000 for a family of four), who earn too much to qualify for federal premium subsidies

- Because of the way the federal subsidy structure works, reductions in premiums resulting from the reinsurance program are not typically felt by individuals at lower FPLs.

- As a result, the reinsurance program is not an effective way to reduce premiums for individuals at lower FPLs, or to target subsidies towards specific populations such as young adults.

Comparison of 2021 Benchmark Plan Monthly Out-of-Pocket Premium Cost for 27-Year-Old in Baltimore City at 250% and 400.5% FPL, With and Without the Reinsurance Program