Young Adult Premium Subsidy
Proposed Parameters

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Maryland Health Benefit Exchange

April 19, 2021
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.
  o 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:
    o 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.
    o 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
Young adults are the largest group of uninsured (67,200; 43% of adult uninsured). A majority are below 400% FPL.
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

<table>
<thead>
<tr>
<th>% FPL</th>
<th>Federal EC</th>
<th>Proposed MD Young Adult EC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18-30</td>
<td>31</td>
</tr>
<tr>
<td>≤150</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>200</td>
<td>2.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>250</td>
<td>4.00%</td>
<td>1.50%</td>
</tr>
<tr>
<td>300</td>
<td>6.00%</td>
<td>3.50%</td>
</tr>
<tr>
<td>400</td>
<td>8.50%</td>
<td>6.00%</td>
</tr>
</tbody>
</table>
Proposed MD Young Adult Subsidy Expected Contribution Levels by FPL, Compared to Federal Levels
**Young Adult Subsidy Example:**
28-year-old in Baltimore City

<table>
<thead>
<tr>
<th></th>
<th>Benchmark Plan Monthly Premium After APTC</th>
<th>Benchmark Plan Monthly Premium After APTC + State Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$31,900</td>
<td>$31,900</td>
</tr>
<tr>
<td>FPL</td>
<td>250%</td>
<td>250%</td>
</tr>
<tr>
<td>Federal EC</td>
<td>4.00%</td>
<td>1.50%</td>
</tr>
<tr>
<td>SLCSP cost</td>
<td>$293</td>
<td>$293</td>
</tr>
<tr>
<td>APTC</td>
<td>$187</td>
<td>$187</td>
</tr>
<tr>
<td>State Subsidy</td>
<td>n/a</td>
<td>$66</td>
</tr>
<tr>
<td>Net Premium</td>
<td>$106</td>
<td>$40</td>
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</table>
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

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

<table>
<thead>
<tr>
<th>2021 % enrolled of eligible</th>
<th>2023 % enrolled of eligible</th>
<th>2023 Increase in Enrollment</th>
<th>2023 Gross Premium PCPY</th>
<th>2023 Net Premium PCPY</th>
<th>2023 State Subsidy PCPY</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td>64%</td>
<td>21,800</td>
<td>$4,587</td>
<td>$713</td>
<td>$537</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2022 YA Subsidy Cost</th>
<th>2023 YA Subsidy Cost</th>
<th>2022 Change in Morbidity – Impact to Premiums (all)</th>
<th>% Subsidy Recipients who are New Enrollees by 2023</th>
<th>2023 Cost per New Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>$17.0M</td>
<td>$19.4M</td>
<td>-4.6%</td>
<td>49%</td>
<td>$888</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Age</th>
<th>2021 % enrolled of eligible</th>
<th>2023 % enrolled of eligible</th>
<th>2023 Increase in Enrollment</th>
<th>2023 Gross Premium PCPY</th>
<th>2023 Net Premium PCPY</th>
<th>2023 State Subsidy PCPY</th>
<th>2022 YA Subsidy Cost</th>
<th>2023 YA Subsidy Cost</th>
<th>2022 Change in Morbidity – Impact to Premiums (all)</th>
<th>% Subsidy Recipients who are New Enrollees by 2023</th>
<th>2023 Cost per New Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance</td>
<td>18-34</td>
<td>41%</td>
<td>41%</td>
<td>-</td>
<td>$4,782</td>
<td>$1,035</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Subsidies for Young Adults under 400% FPL</strong></td>
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</tr>
<tr>
<td>AASE</td>
<td>18-34</td>
<td>67%</td>
<td>24,400</td>
<td>$4,584</td>
<td>$486</td>
<td>$857</td>
<td>$27.4M</td>
<td>$32.0M</td>
<td>-5.0%</td>
<td>53%</td>
<td>$1,312</td>
<td></td>
</tr>
<tr>
<td>Proposed Subsidy</td>
<td>18-34</td>
<td>64%</td>
<td>21,800</td>
<td>$4,587</td>
<td>$713</td>
<td>$537</td>
<td>$17.0M</td>
<td>$19.4M</td>
<td>-4.6%</td>
<td>49%</td>
<td>$888</td>
<td></td>
</tr>
<tr>
<td>AASE 34</td>
<td>18-34</td>
<td>45%</td>
<td>3,300</td>
<td>$4,820</td>
<td>$948</td>
<td>$131</td>
<td>$3.1M</td>
<td>$3.3M</td>
<td>-0.8%</td>
<td>11%</td>
<td>$997</td>
<td></td>
</tr>
<tr>
<td><strong>Variation of original AASE with no cliff (LI = linear interpolation)</strong></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>AASE 30; LI to 35</td>
<td>18-34</td>
<td>41%</td>
<td>66%</td>
<td>23,400</td>
<td>$4,598</td>
<td>$594</td>
<td>$732</td>
<td>$23.1M</td>
<td>$26.9M</td>
<td>-4.9%</td>
<td>51%</td>
<td>$1,148</td>
</tr>
<tr>
<td>AASE; LI to 40</td>
<td>18-39</td>
<td>Not modeled – was most expensive YA subsidy in original modelling and would be more expensive than AASE</td>
<td></td>
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<tr>
<td><strong>Variation between the original AASE and AYEA (LI = linear interpolation)</strong></td>
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<td></td>
</tr>
<tr>
<td>AASE +1%; LI to 35</td>
<td>18-34</td>
<td>41%</td>
<td>57%</td>
<td>15,000</td>
<td>$4,714</td>
<td>$887</td>
<td>$532</td>
<td>$14.5M</td>
<td>$16.9M</td>
<td>-3.1%</td>
<td>39%</td>
<td>$1,122</td>
</tr>
<tr>
<td>AYEA -3.5%</td>
<td>18-34</td>
<td>41%</td>
<td>66%</td>
<td>23,600</td>
<td>$4,582</td>
<td>$561</td>
<td>$719</td>
<td>$23.2M</td>
<td>$26.5M</td>
<td>-4.8%</td>
<td>52%</td>
<td>$1,126</td>
</tr>
</tbody>
</table>
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.
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 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: \( \text{New Applicable Percentage} = \text{Federal Applicable Percentage} \times \left( \frac{\text{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% \( \times \left( \frac{1}{3} \right) + 1\% = 1.67\%\).
  - 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% \( \times \left( \frac{1.1351}{3} \right) + 1\% = 3.27\%\)
    - 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.

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1 The Enrollee’s Avg. Age Rate is based on a 3:1 ACA age curve. This age curve has a 1.0 factor for age 21 and 3.0 factor for age 64. In the example listed, age 30’s age curve factor is 1.135.
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

<table>
<thead>
<tr>
<th>Plan Year</th>
<th>Individual Premium Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>n/a</td>
</tr>
<tr>
<td>2015</td>
<td>10%</td>
</tr>
<tr>
<td>2016</td>
<td>18%</td>
</tr>
<tr>
<td>2017</td>
<td>21%</td>
</tr>
<tr>
<td>2018</td>
<td>50%*</td>
</tr>
<tr>
<td>2019</td>
<td>-13%</td>
</tr>
<tr>
<td>2020</td>
<td>-10%</td>
</tr>
<tr>
<td>2021</td>
<td>-12%</td>
</tr>
</tbody>
</table>

*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.

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