

2026 State Subsidy Costs: Proposed Closure of State Subsidy to New Enrollment

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Action Requested

- 2026 QHP and State Subsidy enrollment is higher than projected
- As a result, State Subsidy costs are higher than projected
- Staff recommend pausing subsidy for new Special Enrollment Period (SEP) enrollments and request Board vote
- Proposed pause will help to maintain solvency of Subsidy, Reinsurance Programs

Background: Loss of Enhanced Federal Tax Credits

- Enhanced federal tax credits, which reduced net premiums and boosted enrollment 2021-2025, expired at the end of 2025 after Congressional inaction
- Enrollment was projected to decline in 2026 due to reduced affordability:
 - Premiums were estimated to increase by 95% on average for those receiving tax credits (~190,000 at the time)
 - For the 105,000 “unsubsidized” enrollees (on and off-exchange), the MIA finalized a 13.4% rate increase, lower than the ~17% average rate increases proposed by insurers
- Maryland’s [HB 1082](#) required MHBE to establish a State-Based Individual Subsidy Program to mitigate enrollment losses and stabilize market in PYs 2026-2027

Background: How Do We Fund It?

- **State Funds: Assessment** through 2028 on most state-regulated health insurance premiums. 2.75% in 2019, 1% for 2020-2028
- Shares a funding source with:
 - State Reinsurance Program (current waiver period is approved through PY2028; can be extended in 5-year periods)
 - Young Adult Subsidy (young adult parameters are embedded into broader state subsidy for PY2026)

PY 2026 State Subsidy Parameters

- Fully replace eAPTC up to 200% FPL;
- Phase down from full eAPTC replacement at 200% FPL to 50% replacement at 250% FPL
- 50% replacement of eAPTC 250%-400% FPL;
- No state subsidy above 400% FPL;
- Continue 2025 Young Adult Subsidy parameters.

Updated Cost Projections

- Based on data through March 1st, 2026, subsidy cost is now projected to be \$188M.
- Increase is due to higher-than-expected enrollment and per capita subsidy costs.

Enrollee Cohort	Updated Cost Projection	Initial Cost Projection
Open Enrollment	\$139M	
Special Enrollment to Date	\$31M	
Future Special Enrollment	\$18M	
Total	\$188M	\$131M

Enrollment - FPL

- 2026 enrollment projections were based on 2025 Open Enrollment¹
- Enrollment is higher in 2026 than anticipated
- Expected net enrollment loss from partial replacement enrollees (200%+) due to net premium increases did not materialize

FPL Band	2026 – Actual Enrollment – Full Year Projection	L&E Initial Projection
0-150	37,405	26,732
150-200	51,465	44,884
200-250	31,665	29,410
250-300	19,493	17,029
300-400	23,518	21,868
Total	163,547	139,923

¹ Adjusted for anticipated additional special enrollment and expected lapses

*Enrollment values represent average, not unique enrollees
 ** Expected small decline from OE due to tightened SEP and income verification

Enrollment - Age

- Most enrollment loss was expected from Young Adults (YA) >200% FPL
 - Most price sensitive
 - Increased 17,800
 - 56% of total growth
- YAs receive both the State and YA Subsidy
 - Higher-than-expected YA enrollment increased the average per-capita subsidy cost.
- Other age cohorts generally tracking with initial projections

FPL Band	2026 – Actual Enrollment – Full Year Projection	L&E Initial Projection
0-17	4,830	4,659
18-25	22,178	14,442
26-34	32,794	22,761
35-44	30,897	24,267
45-54	29,779	28,214
55-64	37,219	39,535
65+	5,967	6,044
Total	164,043	139,865

Per Enrollee Per Month Subsidy Costs

FPL Band	2026 Year to Date	Initial Projection
0-150	\$59.02	\$31.57
150-200	\$111.25	\$90.46
200-250	\$120.50	\$99.99
250-300	\$100.48	\$82.18
300-400	\$81.66	\$70.56
Total	\$96.04	\$77.09

Two Main Cost Drivers of \$58M Budget Deficit

	Young Adults- All FPLs	Non-Young Adults 138-150% FPL
Excess Enrollment	17,729	6,354
State + Young Adult Subsidy PMPM	\$123	\$73
Additional Program Cost	\$26M	\$6M

\$32 million of the deficit can be explained by:

- 1) higher-than-expected young adult enrollment and
- 2) higher-than-expected enrollment in the 138-150% FPL cohort.

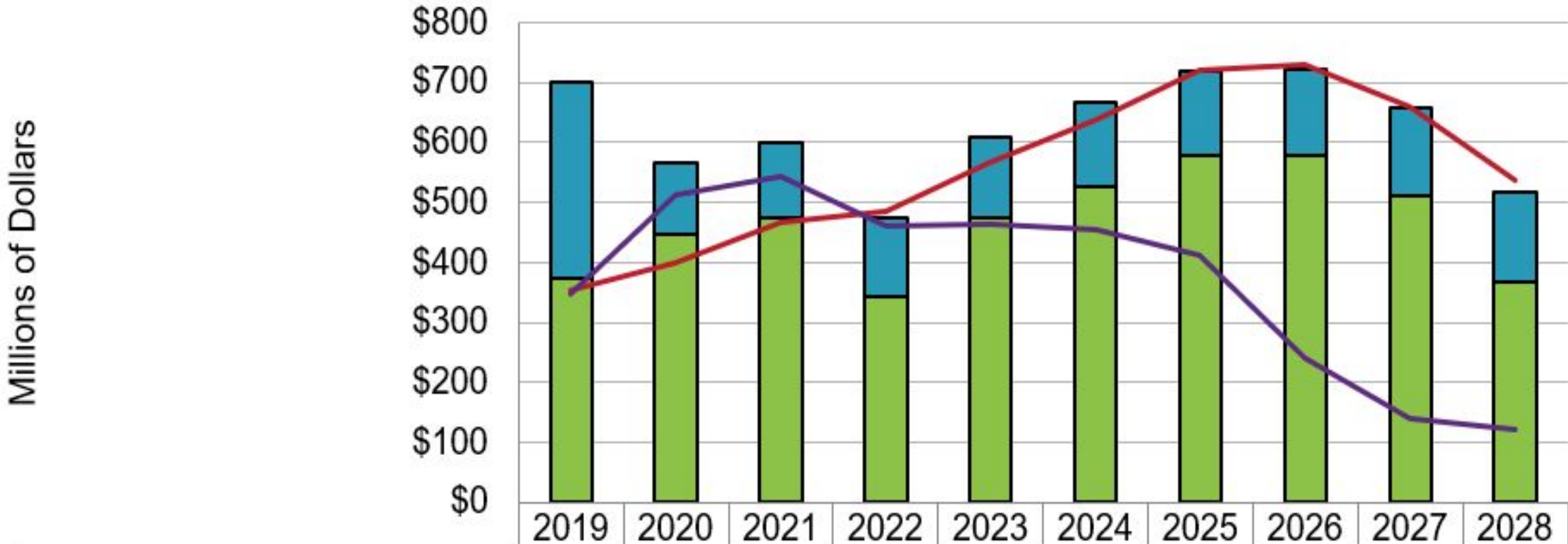
Grace Periods

- As of January 31st, there were 37,000 enrollees in Grace Period due to lack of premium payment for one or more month.
- Current \$188M subsidy projection assumes these members pay initial premium due
- Requested historical terminations from carriers to determine estimate
- Only carrier one provided data. 2025 data showed 25% termination rate.
- Full termination of 37,000 enrollees would save \$35M; a 25% termination rate would yield \$8M in savings

SRP Fund Projections - 50% State Subsidy Reduction in 2027; Continue SEPs



SRP Fund Projections - 50% State Subsidy Reduction in 2027; Cutoff SEPs



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
State Funding	\$327	\$119	\$124	\$131	\$137	\$141	\$142	\$144	\$147	\$149
Federal Funding	\$373	\$447	\$475	\$344	\$473	\$527	\$578	\$577	\$511	\$368
Reinsurance Cost	\$353	\$400	\$468	\$485	\$568	\$639	\$719	\$729	\$660	\$536
Fund Balance End-of-Year	\$347	\$513	\$544	\$459	\$465	\$454	\$412	\$239	\$141	\$122

Staff Recommendation

Pause State Subsidy for new Special Enrollment Period enrollments for the remainder of PY2026, effective April 1, 2026.

Note: Households who are enrolled with state subsidy prior to the cutoff will remain eligible, including any new members they add to their households. It is only newly enrolled households who would be ineligible for the state subsidy, including young adult subsidy, during the pause

Next Steps

- The pause would be effective April 1, 2026 for coverage effective May 1, 2026
- April 20 Board meeting: Vote on 2027 Proposed State Subsidy and Estimated Reinsurance Program Parameters
- July 20 Board meeting: Vote on 2027 Final State Subsidy and Reinsurance Program Parameters

Request for Approval to Pause State Subsidy for SEP Enrollments

MOTION: I move to [approve/defer/reject] the recommendation to pause State Subsidy Program eligibility for new Special Enrollment Period enrollments for the remainder of PY2026 [as presented] or [as amended].

Appendix



Priorities for Subsidy Design

(As set forth in HB 1082 / Md. Ins. Art., §31-125(D))

- Mitigate reduction in federal tax credits
- Maximize enrollment in the individual market
- Consider state funds necessary to ensure the State Reinsurance Program continues to provide market stability through CY2028
- Account for uncertainties in enrollment in Medicaid, the individual market, and small group market due to changes in state and federal regulation and funding

Md. Ins. Art., §31-125

- (A) IN THIS SECTION, “PROGRAM” MEANS THE STATE–BASED HEALTH INSURANCE SUBSIDIES PROGRAM.
- (B) THE EXCHANGE, IN CONSULTATION WITH THE COMMISSIONER AND AS APPROVED BY THE BOARD, SHALL ESTABLISH AND IMPLEMENT A STATE–BASED HEALTH INSURANCE SUBSIDIES PROGRAM TO PROVIDE SUBSIDIES TO INDIVIDUALS FOR THE PURCHASE OF HEALTH BENEFIT PLANS IN THE INDIVIDUAL HEALTH INSURANCE MARKET.**
- (C) THE PROGRAM REQUIRED UNDER THIS SECTION SHALL BE DESIGNED TO:
- (1) MAINTAIN AFFORDABILITY FOR INDIVIDUALS PURCHASING HEALTH BENEFIT PLANS THROUGH THE EXCHANGE;
AND
 - (2) TARGET INDIVIDUALS WHO EXPERIENCE AN INCREASE IN THE APPLICABLE PERCENTAGES ESTABLISHED UNDER 26 U.S.C. § 36B(B)(3)(A)(III) FOR PREMIUMS BASED ON HOUSEHOLD INCOME IN CALENDAR YEARS 2026 AND 2027, AS COMPARED TO THE APPLICABLE PERCENTAGES IN PLACE FOR CALENDAR YEAR 2025.
- (D) SUBJECT TO AVAILABLE FUNDS, FOR CALENDAR YEARS 2026 AND 2027, THE EXCHANGE, IN CONSULTATION WITH THE COMMISSIONER AND AS APPROVED BY THE BOARD, SHALL ESTABLISH SUBSIDY ELIGIBILITY AND PAYMENT PARAMETERS FOR THE PROGRAM THAT:
- (1) MITIGATE A REDUCTION IN ADVANCE PREMIUM TAX CREDITS BECAUSE OF CHANGES IN THE APPLICABLE PERCENTAGES DESCRIBED IN SUBSECTION (C)(2) OF THIS SECTION; AND
 - (2) MAXIMIZE ENROLLMENT IN THE INDIVIDUAL MARKET;
 - (3) TAKE INTO CONSIDERATION STATE FUNDS NEEDED TO ENSURE THE STATE REINSURANCE PROGRAM CONTINUES TO PROVIDE MARKET STABILITY THROUGH CALENDAR YEAR 2028; AND
 - (4) TAKE INTO CONSIDERATION UNCERTAINTIES IN ENROLLMENT IN THE MARYLAND MEDICAL ASSISTANCE PROGRAM, THE INDIVIDUAL MARKET, AND THE SMALL GROUP MARKET DUE TO CHANGES IN STATE AND FEDERAL REGULATION AND FUNDING.
- (E) IN FISCAL YEARS 2026 THROUGH 2028, THE EXCHANGE MAY DESIGNATE FUNDS FROM THE FUND TO BE USED FOR THE PROGRAM.
- (F) THE EXCHANGE SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.