

# 2027 Proposed State Subsidy and Estimated Reinsurance Parameters

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April 20, 2026

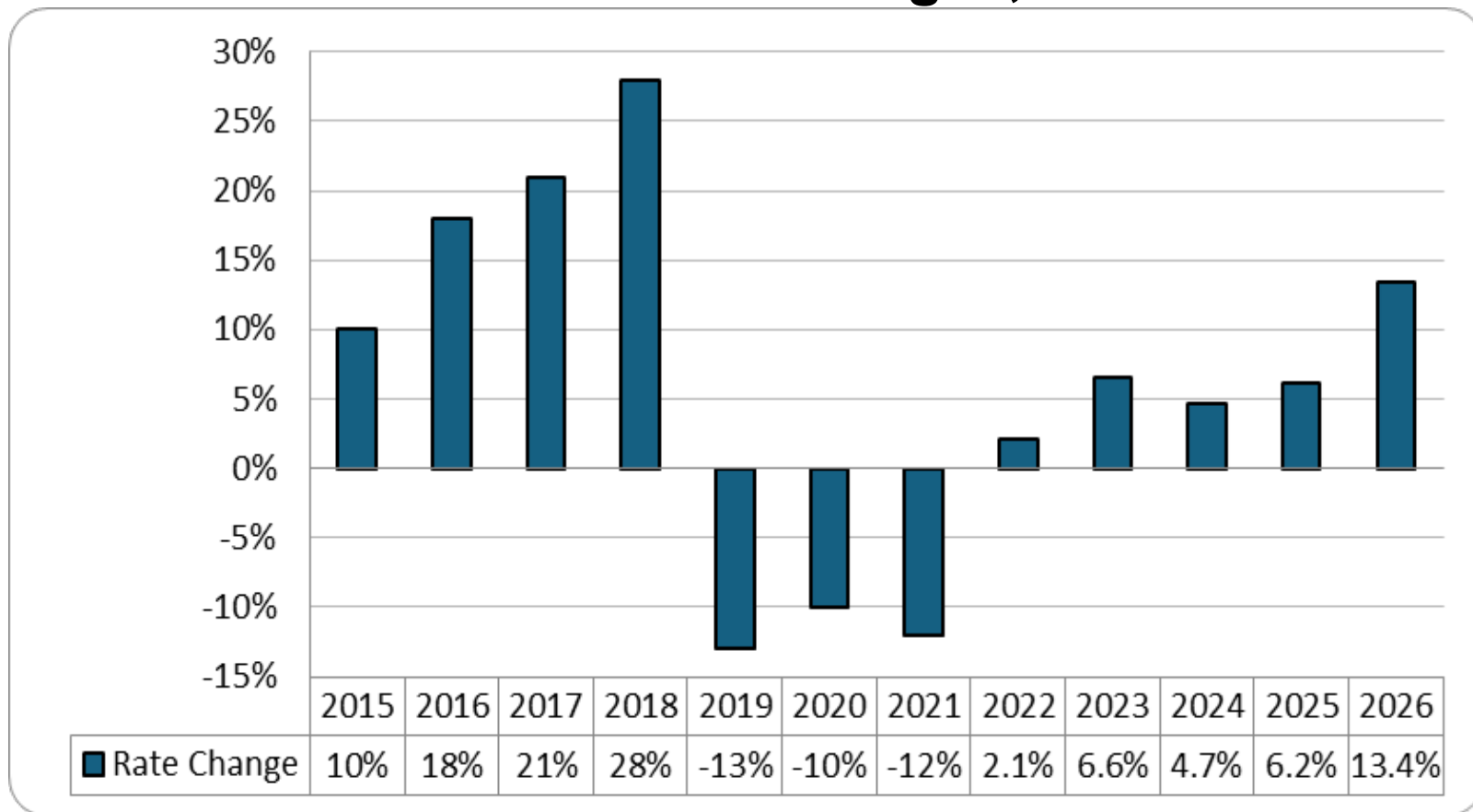
# 1. Background

The background features a solid teal color with four large, overlapping circles of a lighter shade of teal. These circles are arranged in a cross-like pattern, with their centers positioned at the corners of the frame. The overlapping areas create a subtle, layered effect.

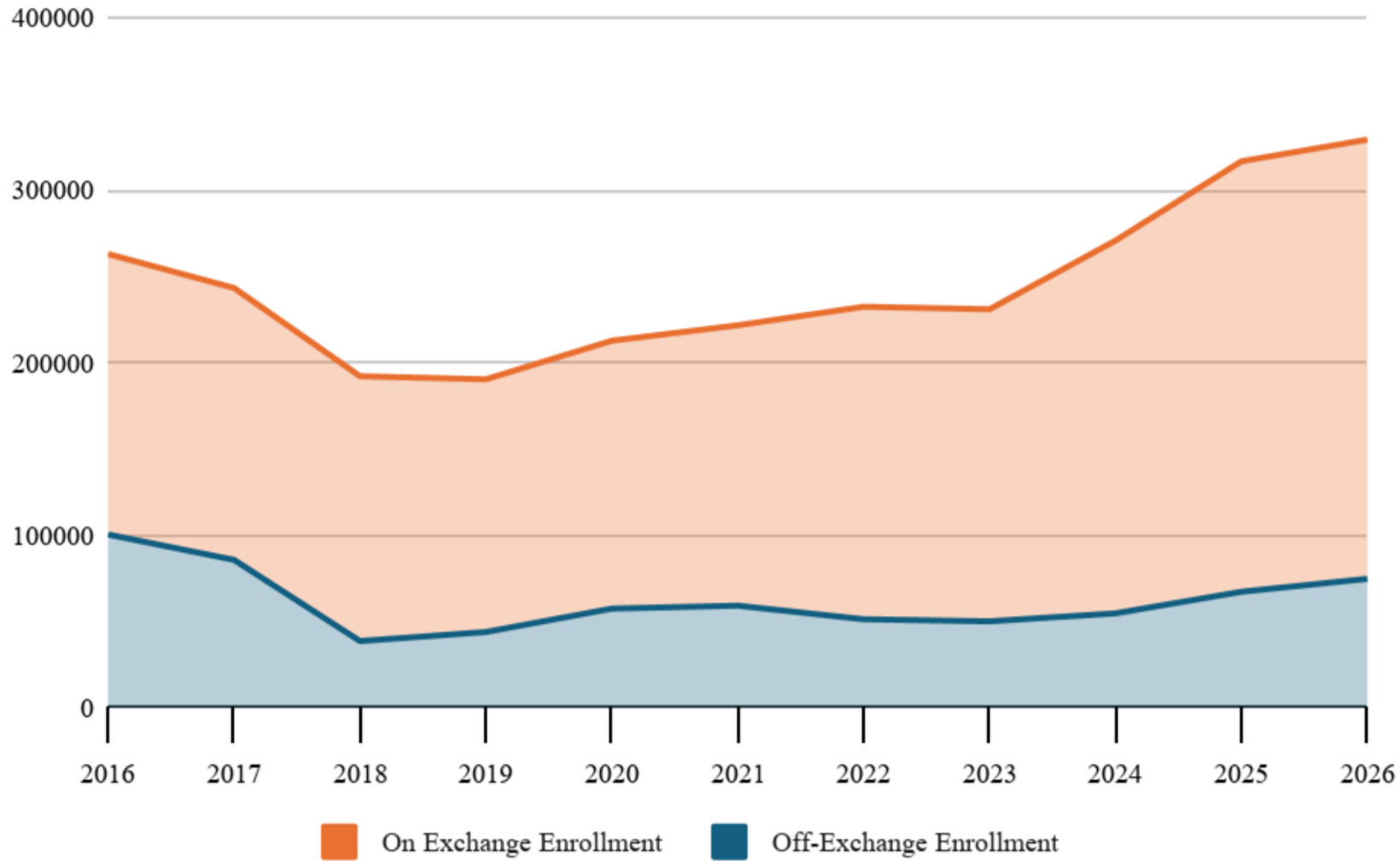
# History

- **2014:** ACA market reforms went into effect
- **2014-2018:** Individual market rates increased by double digits
- **2019:** Reinsurance program implemented
- **2026:** Rates still down more than 6% compared to pre-waiver 2018

## Individual Market Rate Changes, 2015 - 2026



# Total Individual Market Enrollment 2014-2025



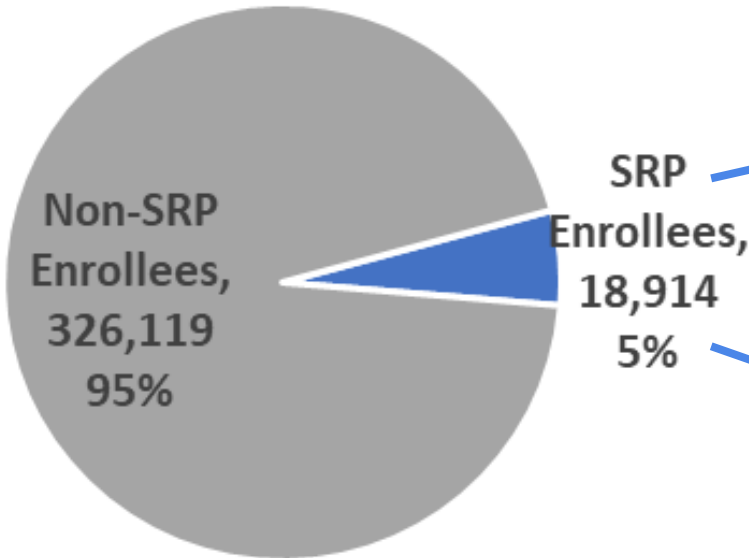
# How Does Reinsurance Work?

- Reinsurance reimburses insurers for a portion of their claims costs. Lower costs allow carriers to charge lower premiums.
- The MHBE Board sets the parameters for the reinsurance program.
- Feds approve the waiver governing reinsurance in 5-year increments; current waiver period end Dec 31, 2028.

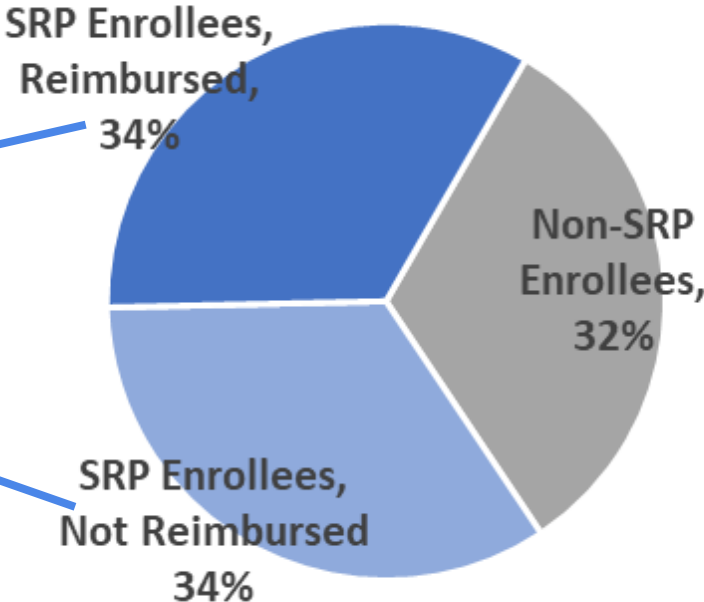
Parameters	2019 - 2022	2023	2024	2025	2026
<b>Attachment Point</b>	\$20,000	\$18,500	\$20,000	\$21,000	\$24,000
<b>Coinsurance Rate</b>	80%	80%	80%	80%	80%
<b>Cap</b>	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
<b>Dampening Factor</b>	.760 - .805	.840	.850	.850	.850

# What is the Reinsurance Program's Scope?

**2024 Total Average Individual Market Enrollment**



**2024 Total Paid Claims: \$1.9B  
SRP Paid Claims: \$639M**



# Subsidy Background

- 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

# How Do We Fund Reinsurance + Subsidy?

## State Funds

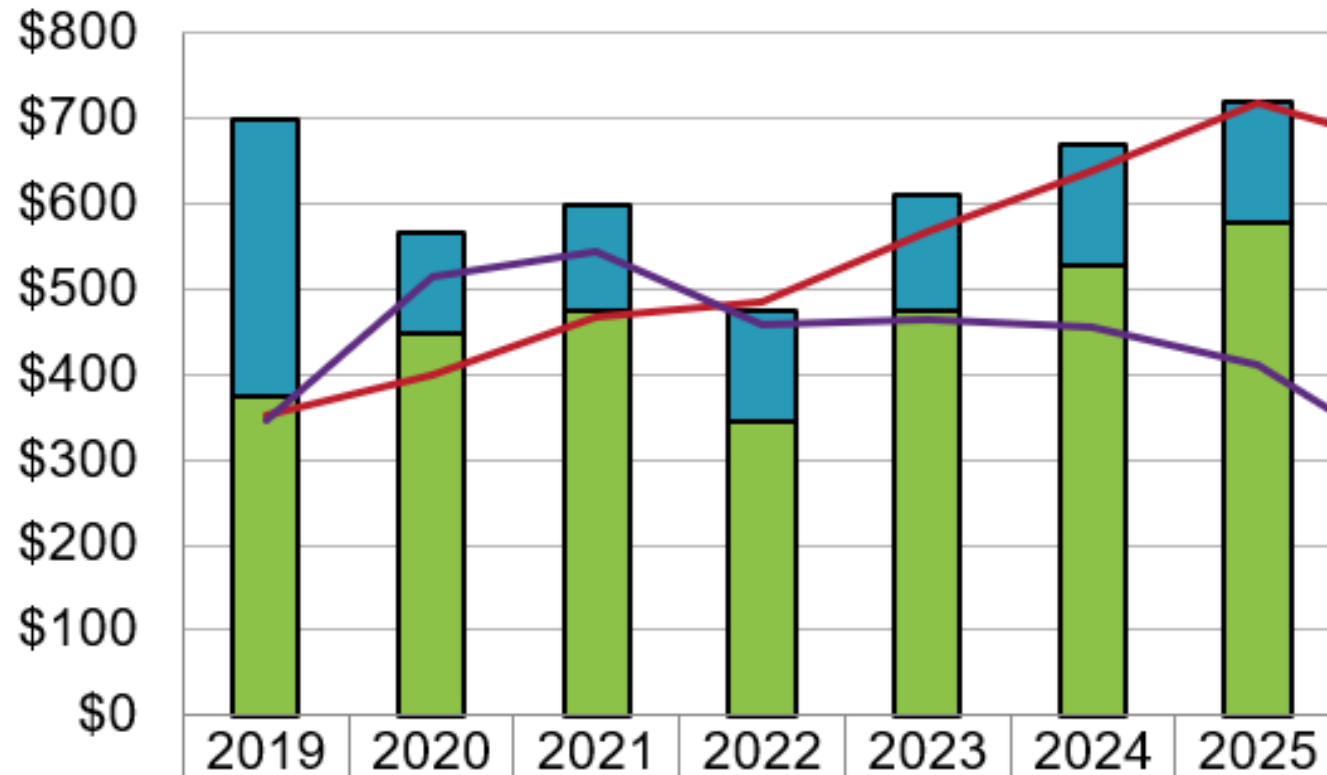
- **Assessment** through 2028 on most state-regulated health insurance premiums. 2.75% in 2019, 1% for 2020-2028
- **Reserve:** The higher 2019 assessment + higher than expected federal funding in the early years of the program allowed MHBE to build up a reserve of state funds

## Federal Funds: ACA Section 1332 State Innovation Waiver

- Under Section 1332 of the ACA, states can waive certain ACA rules
- If the waiver lowers premiums, federal premium subsidy costs decrease, saving the feds money
- Under the waiver, the federal government then redirects those savings back to the state - called **pass-through funding** - to help run the waiver program

To the extent a state intervention (like a subsidy) increases APTC-eligible enrollment, it can also increase pass-through funding. This reduces the state funds necessary for reinsurance, partially offsetting the state cost of the intervention.

# Reinsurance Funding Experience, 2019-2025



	2019	2020	2021	2022	2023	2024	2025
State Funding	\$327	\$119	\$124	\$131	\$137	\$141	\$142
Federal Funding	\$373	\$447	\$475	\$344	\$473	\$527	\$578
Reinsurance Cost	\$353	\$400	\$468	\$485	\$568	\$639	\$719
Fund Balance End-of-Year	\$347	\$513	\$544	\$459	\$465	\$454	\$412

## 2. Recommended 2026 State Subsidy Parameters

# 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

# 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.

# Considerations

## 1. Market impacts

- Impact on net premiums
- Impact on enrollment
- Impact on silver loading

## 2. Subsidy program cost

## 3. State Reinsurance Program and Fund impacts

- Impact on reinsurance cost
- Impact on pass through
- SRP fund balance

# 2026 Federal Poverty Level (FPL) Income Thresholds

<b>Household Size</b>	<b>200% FPL</b>	<b>300% FPL</b>	<b>400% FPL</b>
1 person	\$31,920	\$47,880	\$63,840
4 people	\$66,000	\$99,000	\$132,000

# Modeled Scenarios

## Scenario 1

**2027:** No change in subsidy from 2026 (including full Young Adult Subsidy)

**2028:** No subsidy  
(Most generous)

## Scenario 2

**2027:**

- Full subsidy to 200% FPL;
- Phase down from full replacement at 200% to 25% at 250% FPL;
- 25% replacement 250-400%;
- **Continue** Young Adult Subsidy with '26 parameters

**2028:** No subsidy

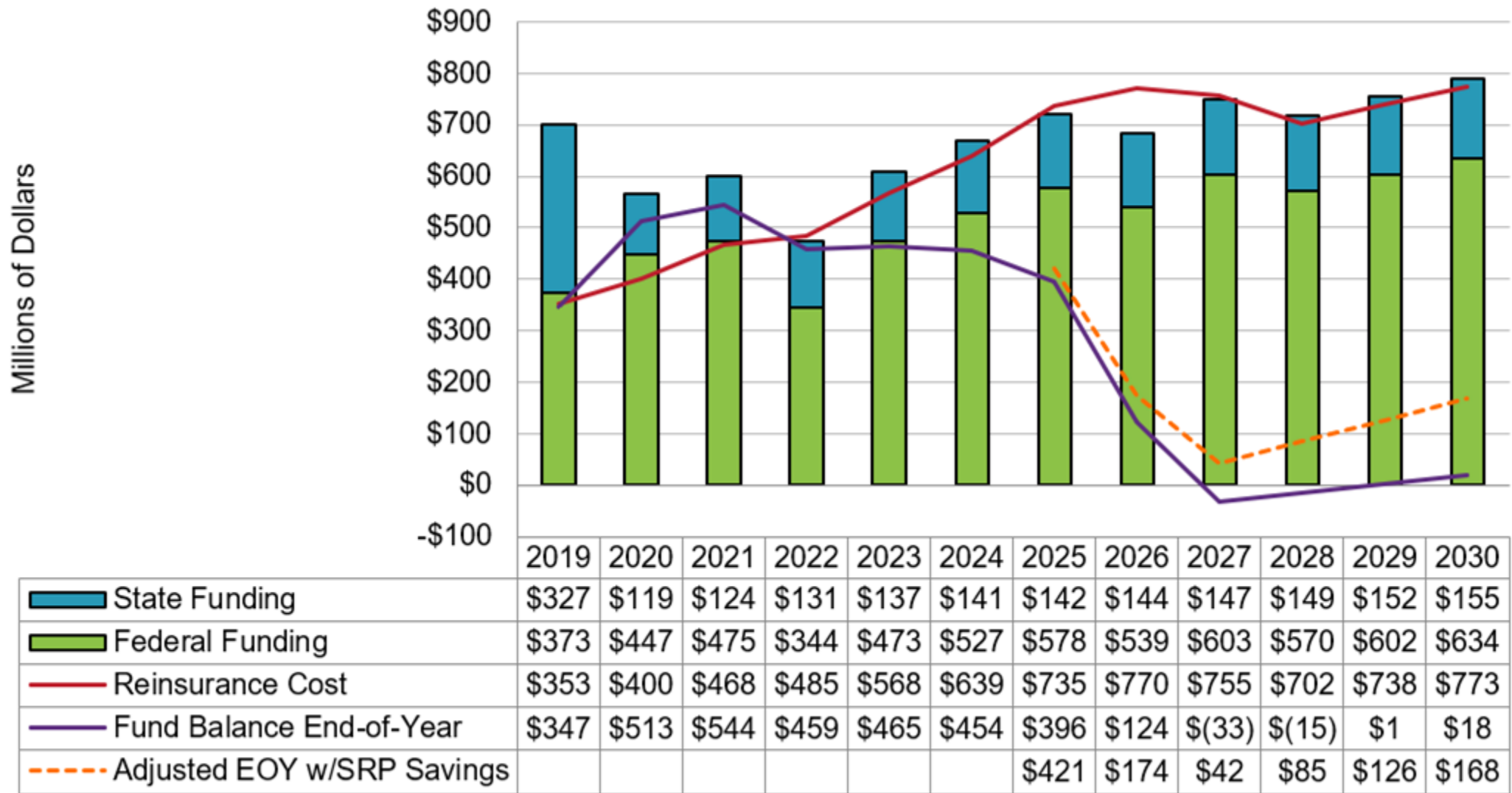
## Scenario 3

**2027:** Same parameters as Scenario 2 but **WITHOUT** Young Adult Subsidy

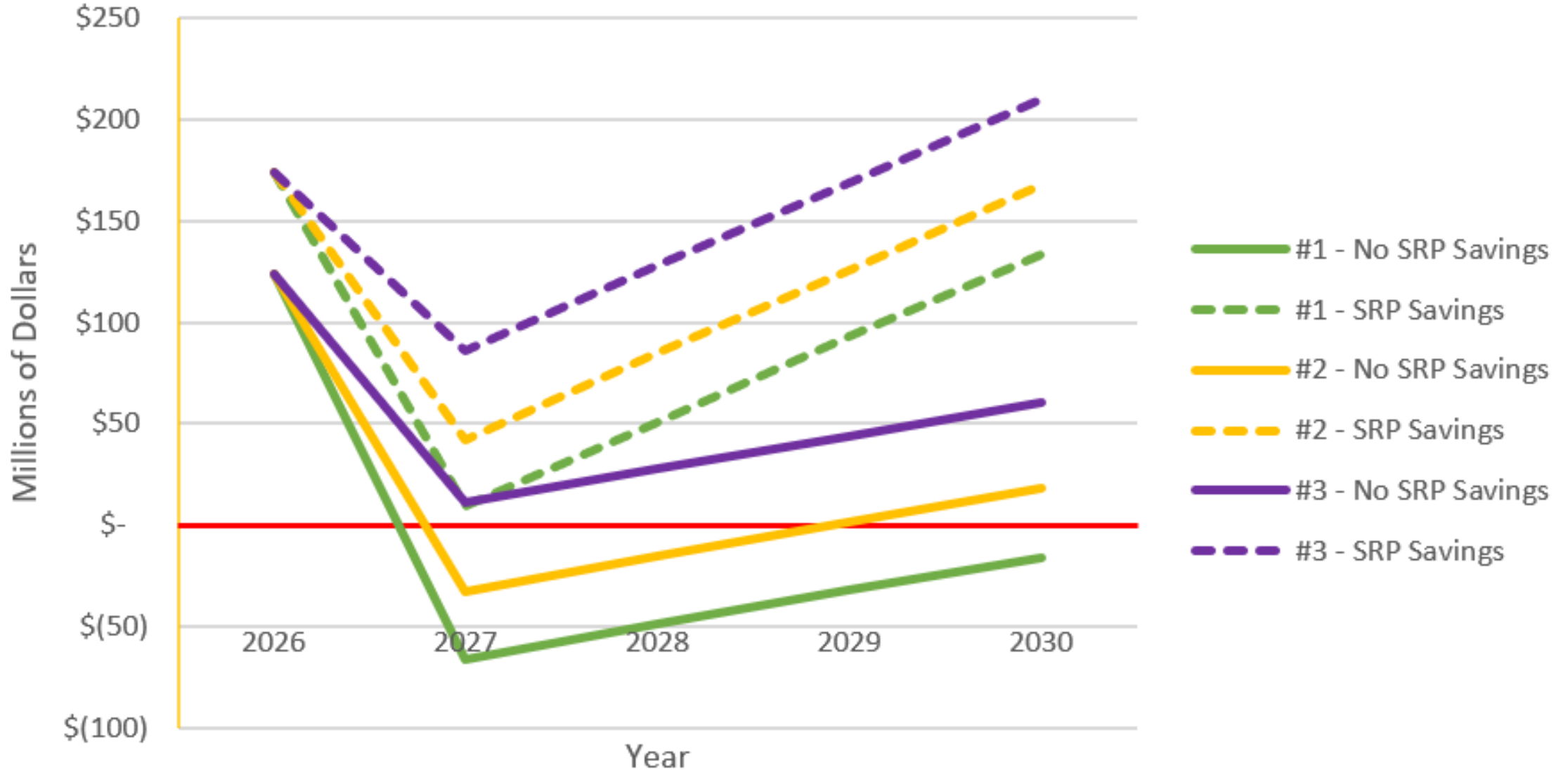
**2028:** No subsidy  
(Least generous)

	2026	2027	2028	2029	2030
<b>Scenario 1 MOST GENEROUS: 2027 = Same state subsidy, same YAS as 2026   2028 = No Subsidy   AP = 28/34</b>					
Attachment Point	\$ 24,000	\$ 28,000	\$ 34,000	\$ 35,000	\$ 36,000
Total Non-Group Enrollment	289,671	288,632	\$ 275,866	\$ 275,867	\$ 275,951
APTC Enrollment	148,594	151,625	\$ 142,449	\$ 143,081	\$ 143,718
Subsidy Cost	\$(184,837,544)	\$(185,434,127)	\$ -	\$ -	\$ -
Net Funding EOY (No SRP Savings)	\$ 123,907,730	\$ (66,323,217)	\$ (49,050,212)		
Adjusted Balance (SRP Savings)	\$ 173,907,730	\$ 8,676,783	\$ 50,949,788		
<b>Scenario 2 REDUCE &gt;200%: 2027 = Cut &gt;200% FPL by half, Full YAS   2028 = No Subsidy   AP = 28/34</b>					
Attachment Point	\$ 24,000	\$ 28,000	\$ 34,000	\$ 35,000	\$ 36,000
Total Non-Group Enrollment	289,671	288,075	275,862	275,863	275,947
APTC Enrollment	148,594	151,068	142,445	143,077	143,714
Subsidy Cost	\$(184,837,544)	\$(150,729,661)	\$ -	\$ -	\$ -
Net Funding EOY (No SRP Savings)	\$ 123,907,730	\$ (32,703,861)	\$ (15,451,506)		
Adjusted Balance (SRP Savings)	\$ 173,907,730	\$ 42,296,139	\$ 84,548,494		
<b>Scenario 3 LEAST GENEROUS, REDUCE &gt;200%, NO YAS: 2027 = Cut &gt;200% FPL by half, NO YAS   2028 = No Subsidy</b>					
Attachment Point	\$ 24,000	\$ 28,000	\$ 34,000	\$ 35,000	\$ 36,000
Total Non-Group Enrollment	289,671	283,438	273,427	273,417	273,489
APTC Enrollment	148,594	146,911	140,132	140,755	141,381
Subsidy Cost	\$(184,837,544)	\$(106,766,074)	\$ -	\$ -	\$ -
Net Funding EOY (No SRP Savings)	\$ 123,907,730	\$ 10,926,812	\$ 27,765,982		
Adjusted Balance (SRP Savings)	\$ 173,907,730	\$ 85,926,812	\$127,765,982		

# Scenario 2 SRP Fund Projections 2019-2030



# End-of-Year SRP Fund Balance Projections by Modeled Scenario



# 2027 Subsidy Design Recommendation

## Recommendation: Scenario 2

- For enrollees eligible for APTC,
  - Fully replace eAPTC up to 200% FPL;
  - Phase down from full eAPTC replacement at 200% FPL to 25% replacement at 250% FPL (down from 50% in 2026)
  - **25%** replacement of eAPTC 250%-400% FPL (down from 50% in 2026);
  - No state subsidy above 400% FPL;
  - Continue 2026 Young Adult Subsidy parameters.

## Rationale

- Minimal projected impact to enrollment; reduce subsidy cost by \$35M relative to 2026 parameters
- Continuing Young Adult Subsidy preserves improved morbidity in the market

# Request for Approval of Proposed PY2027 State Subsidy Parameters

MOTION: I move to [approve/defer/reject] the proposed parameters for the State Subsidy Program for PY2027 [as presented/as amended].

- Scenario 2:
  - *For enrollees eligible for APTC,*
    - *Fully replace eAPTC up to 200% FPL;*
    - *Phase down from full eAPTC replacement at 200% FPL to 25% replacement at 250% FPL*
    - *25% replacement of eAPTC 250%-400% FPL (from 50% in 2026);*
    - *No state subsidy above 400% FPL;*
    - *Continue 2026 Young Adult Subsidy parameters.*

# 3. Recommended 2027 State Reinsurance Program Parameters

# SRP Parameters - Regulatory Requirements

## **COMAR 14.35.17.04**

B. Each year the Board shall set the payment parameters for the State Reinsurance Program by determining the following factors:

- (1) An attachment point;
- (2) A coinsurance rate;
- (3) A reinsurance cap; and
- (4) A market-level dampening factor provided by the Commissioner, if determined necessary by the Board.

# Calendar Year 2025 SRP Key Dates

<b>April 20, 2026</b>	<b>MHBE Board</b>	<b>Set estimated 2027 SRP parameters.</b>
Spring 2026	CMS	Publish estimated and final 2026 pass-through funding
May 18, 2026	MIA	2027 Rate Filing Deadline
May 2026	MIA CMS MHBE Policy	Proposed 2027 rates due Shares unadjusted 2025 SRP carrier payment amounts Carriers submit 2025 and emerging 2026 data
June 30, 2026	MHBE Policy	2025 Carrier SRP Accountability Reports due
Early July 2026	MHBE Policy	Finalize recommended 2027 SRP parameters
<b>July 20, 2026</b>	<b>MHBE Board</b>	<b>Set final 2027 SRP parameters.</b>
Mid-August – Early September	MIA	2027 rates finalized
September 2026	MHBE	Issuers receive SRP payments for 2025 claims experience

# Estimated 2027 SRP Parameters

- MHBE staff recommend increasing the attachment point to \$28,000, and maintaining the coinsurance rate of 80% and cap of \$250,000.
- MHBE staff recommend that the Board again determine that a dampening factor, to be provided by the Commissioner, is required.

Parameters	Final 2019-2022	Final 2023	Final 2024	Final 2025	Final 2026	Estimated 2027
Attachment Point	\$20,000	\$18,500	\$20,000	\$21,000	\$24,000	\$28,000
Coinsurance Rate	80%	80%	80%	80%	80%	80%
Cap	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Dampening Factor	0.760-0.805	0.840	0.850	0.850	0.850	TBD

# Request to Approve Proposed PY2027 State Reinsurance Program Parameters

MOTION: I move to [approve/defer/reject] the following parameters as the estimated plan year 2027 parameters for the State Reinsurance Program, [as presented/as amended]:

- An attachment point of \$28,000;
- A coinsurance rate of 80%;
- A reinsurance cap of \$250,000; and
- A dampening factor, to be determined by the Insurance Commissioner.

# Appendix



# 2024-26 Young Adult Subsidy Program Parameters

### Eligibility

- Age: 18-37 (18 or older; younger than 38)
- Income: ≤400% FPL, ineligible for Medicaid
- 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 33
- For ages 34 to 37, reduce the 2.5% reduction by 0.5% each year
- Subsidy covers the non-EHB portion of premium for recipients with a 0% expected contribution

**Expected Contribution (EC) for Benchmark Plan**

% FPL	Federal EC	MD Young Adult EC					
		18-33	34	35	36	37	38
		-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%

# 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.

# SRP Payments and Enrollment by Carrier (2/2)

Carrier	# of Enrollees with Claims Reimbursed by the SRP	% of Enrollees with Claims Reimbursed by the SRP	Total SRP Payment	% of Total SRP Payment*	% of Total Market Enrollment
<b>PY 2022</b>					
CareFirst	12,297	81%	\$386,768,673	80%	64%
Kaiser	2,446	16%	\$82,396,335.82	17%	30%
United	392	3%	\$15,755,448.35	3%	6%
<b>Total</b>	<b>15,135</b>	<b>100%</b>	<b>\$484,920,457</b>	<b>100%</b>	<b>100%</b>
<b>PY 2023</b>					
CareFirst	13,931	79%	\$459,419,113	81%	60%
Kaiser	2639	15%	\$74,677,199	13%	26%
United	980	6%	\$33,740,167	6%	14%
<b>Total</b>	<b>17,550</b>	<b>100%</b>	<b>\$567,836,479</b>	<b>100%</b>	<b>100%</b>
<b>PY 2024</b>					
CareFirst	13,898	73%	\$479,423,991	75%	51%
Kaiser	2524	13%	\$78,403,476	12%	20%
United	2349	12%	\$75,860,517	12%	27%
Aetna	143	1%	\$5,250,414	1%	1%
<b>Total</b>	<b>18,914</b>	<b>99%*</b>	<b>\$638,938,398</b>	<b>100%**</b>	<b>99%*</b>

\*May not sum to 100% due to rounding

\*\*Carrier-specific amounts may not be final as dampening factor has not yet been applied

# 2023 Attachment Points - State Comparison

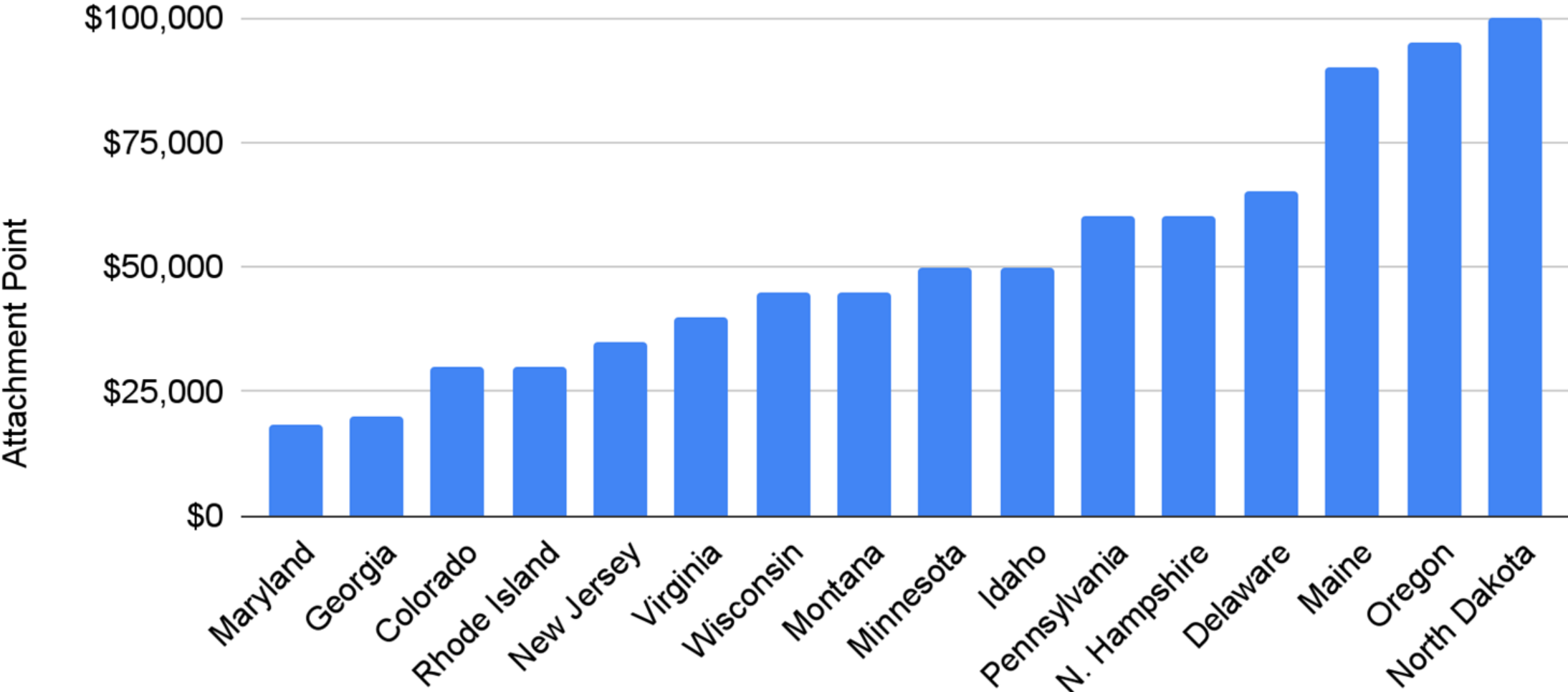
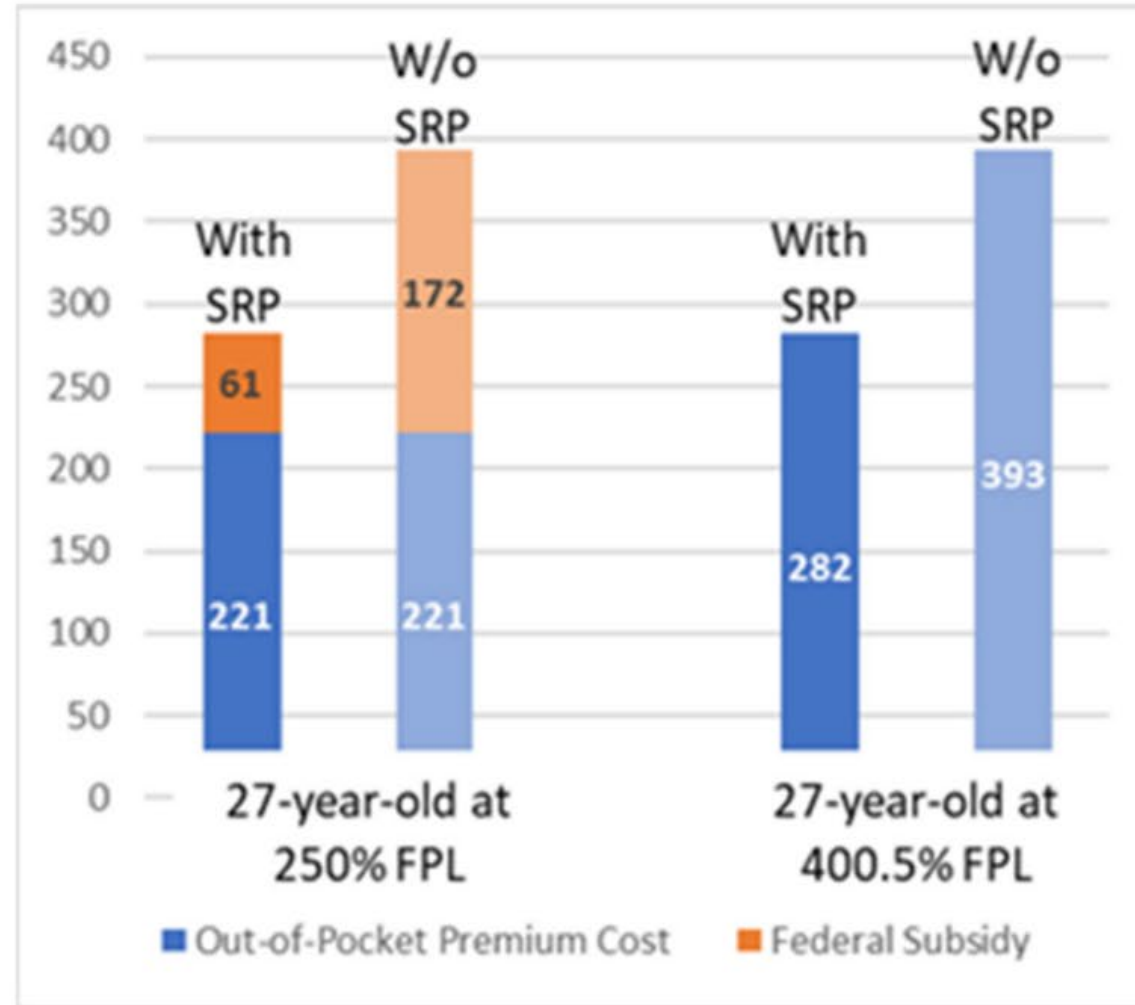
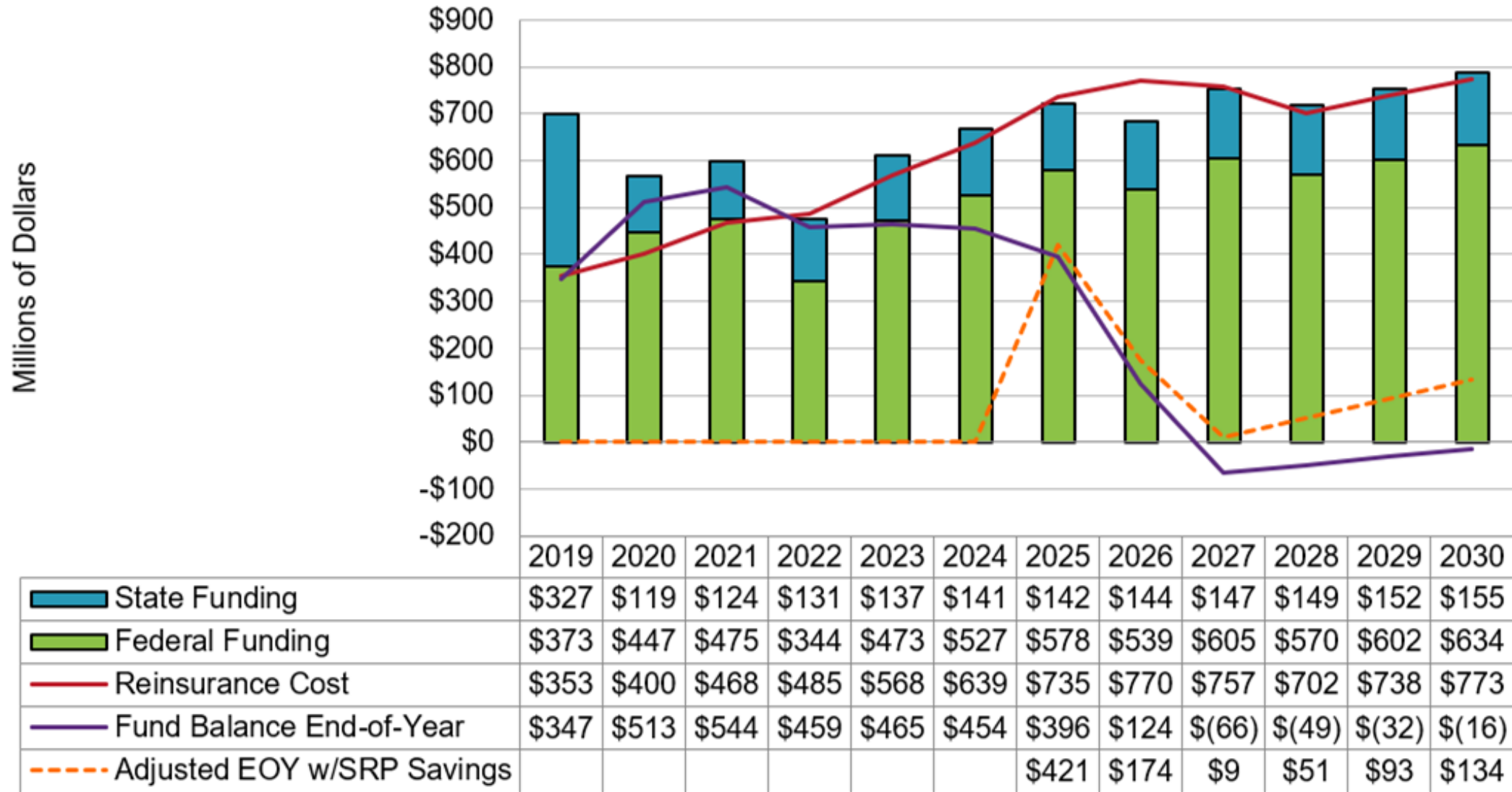


Figure 2. Comparison of 2021 Benchmark Plan Monthly Out-of-Pocket Premium Cost for 27-Year-Old in Baltimore City at 250% and 400.5% FPL, With and Without the State Reinsurance Program (SRP)



# Scenario 1 SRP Fund Projections 2019-2030



# Scenario 3 SRP Fund Projections 2019-2030

