2027 Final State Subsidy and Reinsurance Parameters

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August 4, 2026

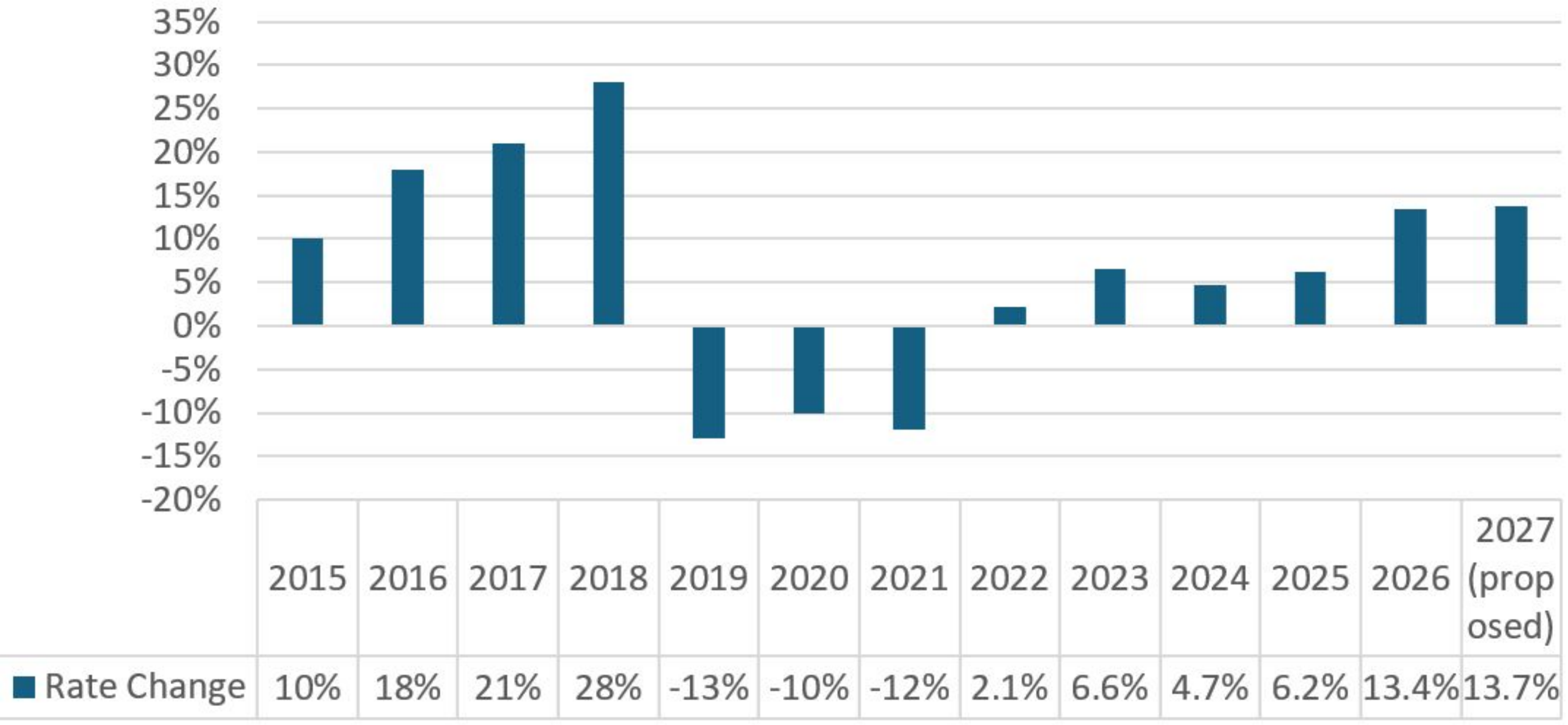
MARYLAND HEALTH BENEFIT EXCHANGE

1. Background

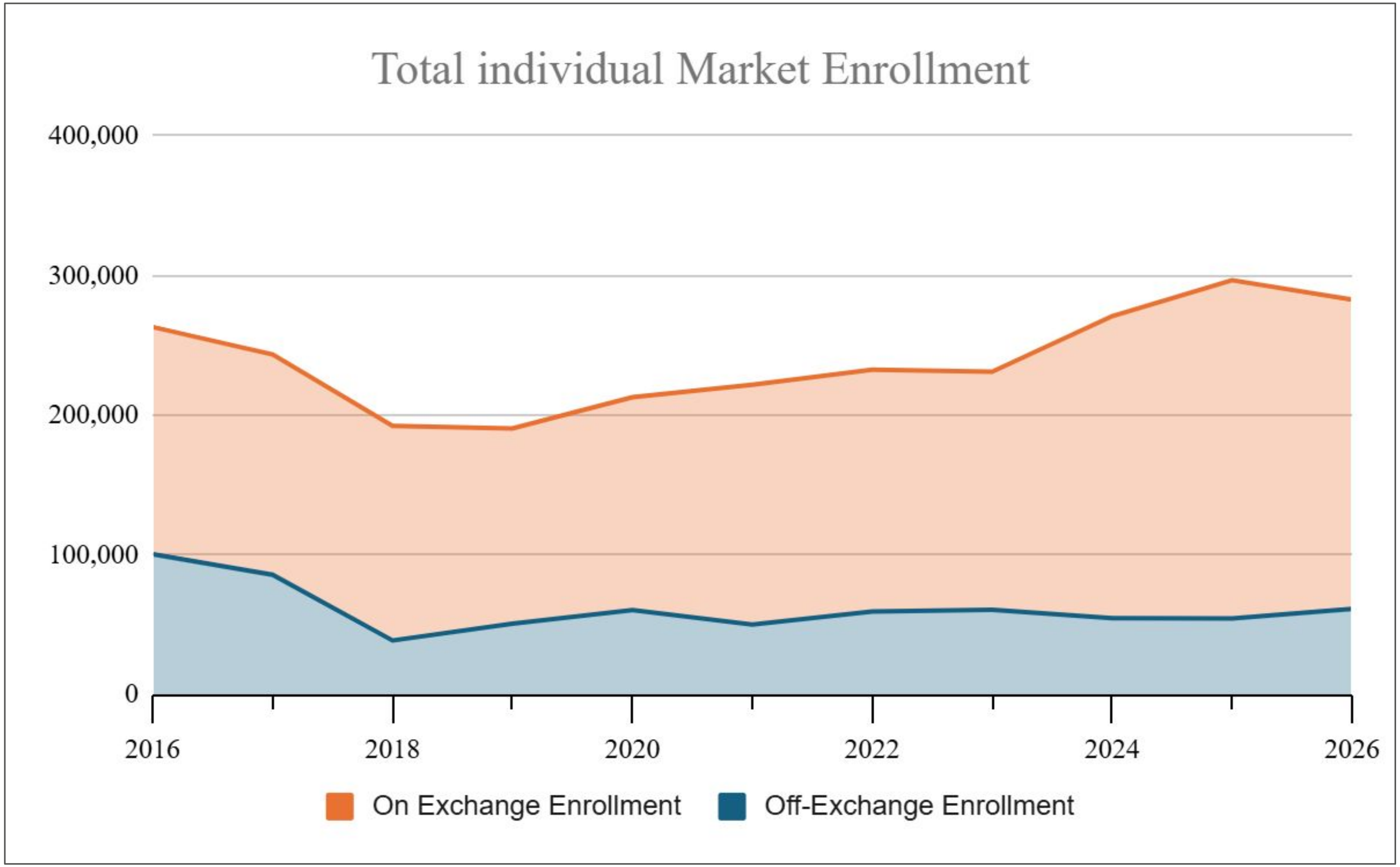
History

- **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 - 2027



Total Individual Market Enrollment 2014-2026



Total market enrollment data from MIA, data as of 3/31 for 2016, 2017, and 2022, as of 4/30 for 2023, 2025, and 2026, as of 6/30 for 2018, 2020, and 2021, as of 7/31 for 2019 and 2024. On-exchange data from MHBE as of the end of open enrollment for 2016-2018, and as of May for 2019-2026. Off-exchange enrollment calculated as total enrollment minus on-exchange enrollment for all years.

MARYLAND HEALTH BENEFIT EXCHANGE

How Does Reinsurance Work?

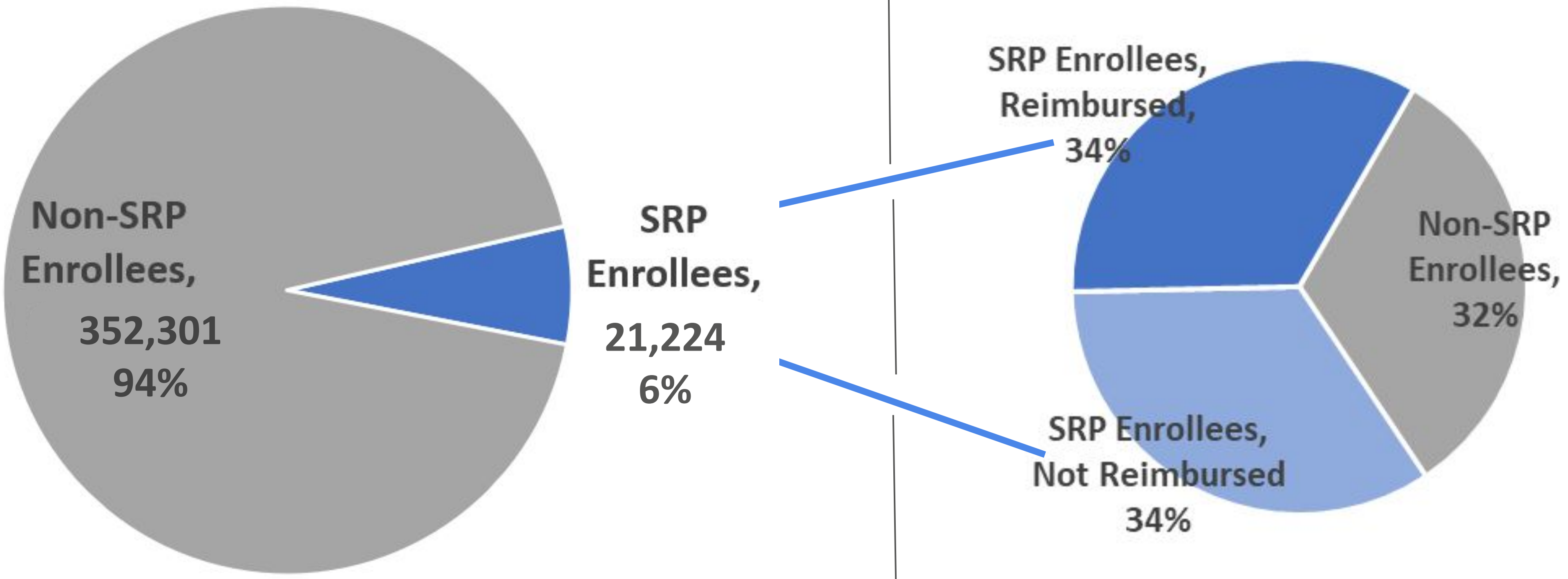
- Reinsurance reimburses insurers for a portion of their claims costs. Lower costs allow carriers to charge lower premiums.
- The MHBE Board sets the parameters for the reinsurance program.
- Feds approve the waiver governing reinsurance in 5-year increments; current waiver period end Dec 31, 2028.

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

What is the Reinsurance Program's Scope?

2025 Total Average Individual Market Enrollment

2025 Total Paid Claims: $2.2B
SRP Paid Claims: $742M



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)
  - MIA finalized a 13.4% rate increase, lower than the ~17% average rate increases proposed by insurers. This primarily impacted the 105,000 “unsubsidized” enrollees (on and off-exchange).
- 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

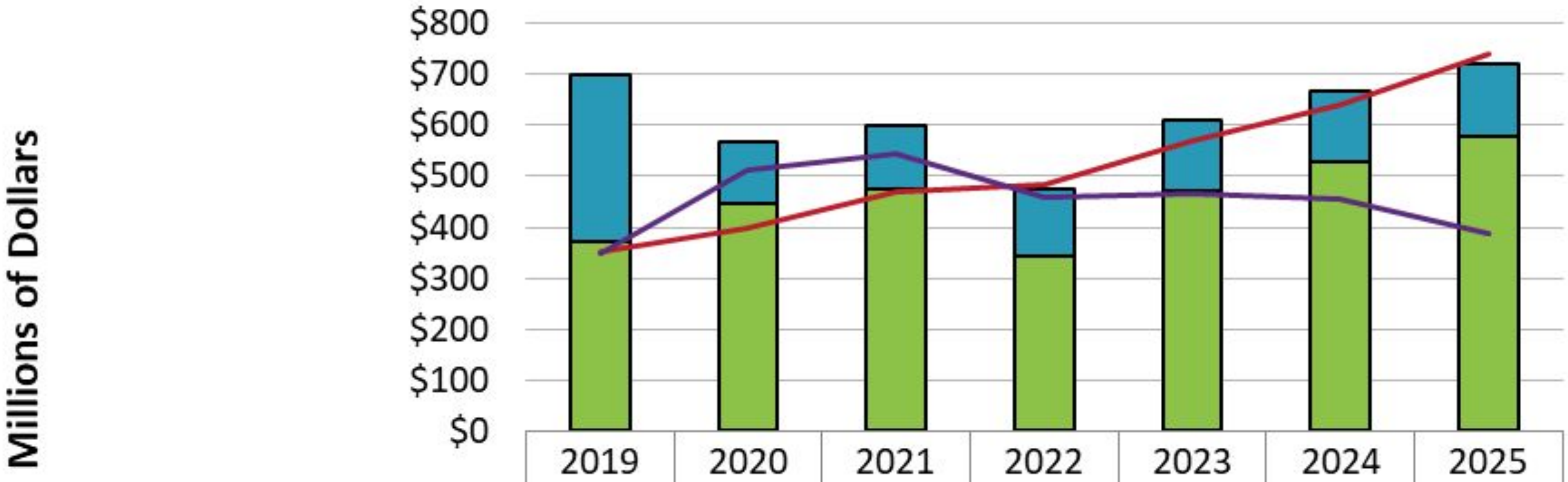
- Assessment through 2028 on most state-regulated premiums – 2.75% in 2019, 1% for 2020-2028
- MHBE's reserve: The higher 2019 assessment + higher than expected federal funding in the early years of the program allowed MHBE to build up a reserve of state funds
- *New*: HSCRC's Uncompensated Care (UCC) Fund: For 2027, HSCRC finalized a .40% increase in funding to the Maryland Health Benefit Exchange Fund to mitigate coverage losses in the individual market and reduce the impact on uncompensated care costs in the hospital market.

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	$742
Fund Balance End-of-Year	$347	$513	$544	$459	$465	$454	$388

2. State Subsidy Parameters for 2027

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

2026 Federal Poverty Level (FPL) Income Thresholds

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

MARYLAND HEALTH BENEFIT EXCHANGE

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.

MARYLAND HEALTH BENEFIT EXCHANGE

2026 Expected contribution for benchmark plan with and without ePTC & for recommended subsidy option

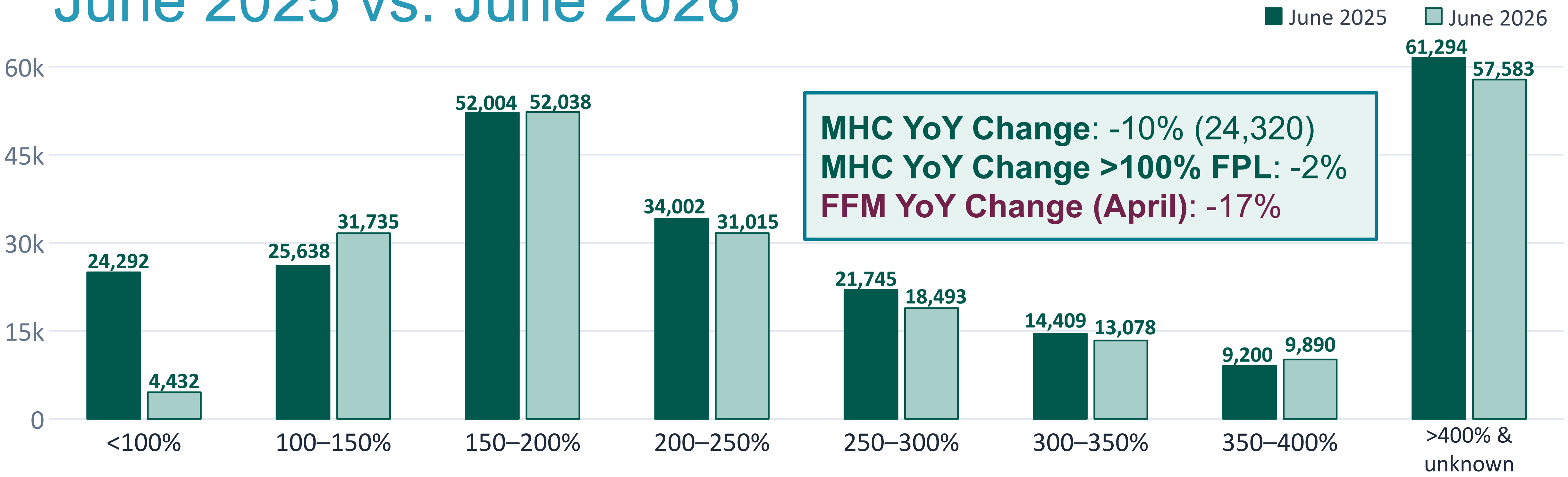
FPL	ePTC (2021-2025)	2026 (no ePTC)	2026 with State Subsidy
<138%	0.00%	2.10%	0.00%
138%	0.00%	3.14%	0.00%
150%	0.00%	4.19%	0.00%
200%	2.00%	6.60%	2.00%
250%	4.00%	8.44%	6.22%
300%	6.00%	9.96%	7.98%
400%	8.50%	9.96%	9.23%
>400%	8.5%	n/a	n/a

Note: For those under 400% FPL, the young adult subsidy reduces the state subsidy expected contribution by 2.5% for ages 18-33, phasing out by 0.5% per year through age 37, with those over 38 ineligible for the young adult subsidy.

Considerations

- **Market impacts**
  - Impact on net premiums
  - Impact on enrollment
  - Impact on silver loading
- **Subsidy program cost**
- **State Reinsurance Program and Fund impacts**
  - Impact on reinsurance cost
  - Impact on pass through
  - SRP fund balance

Individual Market Enrollment by FPL: June 2025 vs. June 2026



	<100%	100–150%	150–200%	200–250%	250–300%	300–350%	350–400%	>400% & unknown	Total
June 2025	24,292	25,638	52,004	34,002	21,745	14,409	9,200	61,294	242,584
June 2026	4,432	31,735	52,038	31,015	18,493	13,078	9,890	57,583	218,264
Change	▼ 82%	▲ 24%	▲ 0%	▼ 9%	▼ 15%	▼ 9%	▲ 8%	▼ 6%	▼ 10%
	Lost ePTC	Full ePTC replacement		~75% ePTC	50% ePTC			Lost ePTC	

MARYLAND HEALTHBENEFIT EXCHANGE

MHC Enrollment Source: MHBE Executive Data Reports, June 30, 2025 and June 30, 2026. 100–138% and 138–150% FPL combined into 100–150%. '>400% FPL' and 'Unknown' combined. Estimated FFM enrollment YoY change from ACA Signups, May 12, 2026.

Year-over-Year Enrollment Change by FPL and Metal Level: June 2025 vs. June 2026

FPL band	Bronze	Silver	Gold	Total
<100%	▼ **1,008** (76%)	▼ **15,109** (82%)	▼ **3,647** (82%)	▼ **19,860** (82%)
100–150%	▲ **550** (40%)	▲ **5,891** (31%)	▼ **359** (7%)	▲ **6,097** (24%)
150–200%	▲ **638** (11%)	▲ **2,022** (8%)	▼ **2,602** (13%)	-
200–250%	▲ **1,615** (19%)	▲ **363** (12%)	▼ **4,946** (22%)	▼ **2,987** (9%)
250–300%	▲ **271** (3%)	-	▼ **3,432** (28%)	▼ **3,252** (15%)
300–350%	-	-	▼ **1,444** (19%)	▼ **1,331** (9%)
350–400%	▲ **762** (20%)	-	-	▲ **690** (8%)
>400% & unknown	▲ **730** (3%)	-	▼ **4,408** (13%)	▼ **3,711** (6%)
Total	▲ **3,565** (6%)	▼ **6,717** (10%)	▼ **20,947** (19%)	▼ **24,320** (10%)

Total column includes all metal levels (catastrophic and platinum not shown in breakout by metal level). Blank cells indicate change of less than 200 individuals.

Year-over-Year Enrollment Change by Metal Level: June 2025 vs. June 2026

Metal Level	June 2025		June 2026		Change in % of Total
	Enrollment	% of Total	Enrollment	% of Total	
Catastrophic	1,754	1%	1,782	1%	0%
Bronze	56,517	23%	60,082	28%	4%
Silver *(Base + CSR 73)*	7,944	3%	8,423	4%	1%
Gold	111,750	46%	90,803	42%	-4%
Gold+ Equivalent *(Silver CSR 87)*	24,781	10%	26,803	12%	2%
Platinum	2,695	1%	2,446	1%	0%
Platinum+ Equivalent *(Silver CSR 94)*	37,143	15%	27,925	13%	-3%
Total	242,584	100%	218,264	100%	-

State Subsidy Program: Overview

Enrollees w/state subsidy	Avg. monthly state subsidy	Enrollees w/state subsidy (%)
146,726	**$92.99** PMPM	**67%**

Enrollment Growth June ’22 - ’26: Young Adults 18-34 vs Other Ages

	June 2022	June 2026	Change (%)	Change (#)
Total, all ages	172,183	218,264	+27%	46,296
All ages, excl. 18-34	125,154	154,558	+24%	27,681
18-34	47,029	63,706	+35%	18,615

Modeled Scenarios

Scenario 1

2027: Continue State and Young Adult Subsidy parameters from 2026

- Fully replace eAPTC up to 200% FPL
- Phase down from full eAPTC replacement at 200% FPL to <u>50</u>% replacement at 250% FPL
- <u>50</u>% replacement of eAPTC 250%-400% FPL
- No state subsidy above 400% FPL
- Full 2026 Young Adult Subsidy parameters.

2028:*

- Full Young Adult Subsidy
- No State Subsidy
- Target: at least $30M in fund at end of 2028

Scenario 2

2027: Cut State Subsidy for 200-400% FPL in half relative to 2026

- Fully replace eAPTC up to 200% FPL
- Phase down from full eAPTC replacement at 200% FPL to <u>25</u>% replacement at 250% FPL
- <u>25</u>% replacement of eAPTC 250%-400% FPL
- No state subsidy above 400% FPL
- Full 2026 Young Adult Subsidy parameters.

2028:*

- Full Young Adult Subsidy
- No State Subsidy
- Target: at least $30M in fund at end of 2028

*2028 scenario is provided for illustrative purposes only, and will depend on costs and funding available. The Board will set 2028 parameters in summer 2027.

MARYLAND HEALTH BENEFIT EXCHANGE

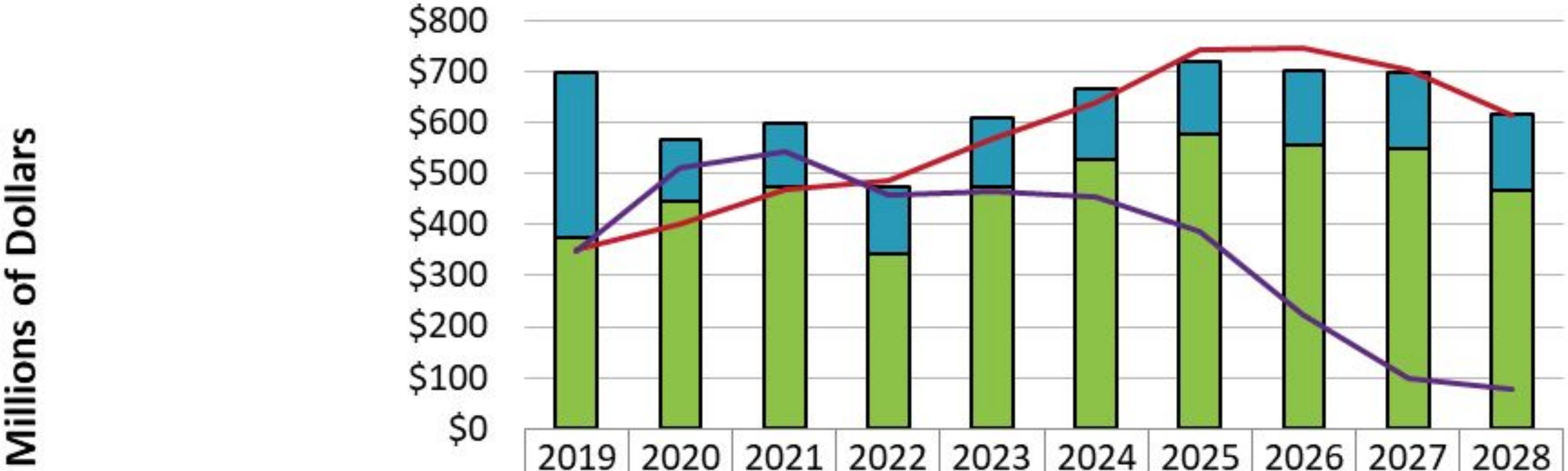
2027 Federal expected contribution (EC) for benchmark plan with and without ePTC & for subsidy options

FPL	2021-2025 Federal EC with ePTC	2026 with State Subsidy	2027 Federal EC	2027 EC w/State Subsidy: Scenario 1	2027 EC w/State Subsidy: Scenario 2
<138%	0.00%	0.00%	2.15%	0.00%	0.00%
138%	0.00%	0.00%	3.23%	0.00%	0.00%
150%	0.00%	0.00%	4.3%	0.00%	0.00%
200%	2.00%	2.00%	6.78%	2.00%	2.00%
250%	4.00%	6.22%	8.66%	6.33%	7.50%
300%	6.00%	7.98%	10.22%	8.11%	9.08%
400%	8.50%	9.23%	10.22%	9.36%	9.79%
>400%	8.5%	n/a	n/a	n/a	n/a

Note: For those under 400% FPL, the young adult subsidy reduces the state subsidy expected contribution by 2.5% for ages 18-33, phasing out by 0.5% per year through age 37, with those over 38 ineligible for the young adult subsidy.

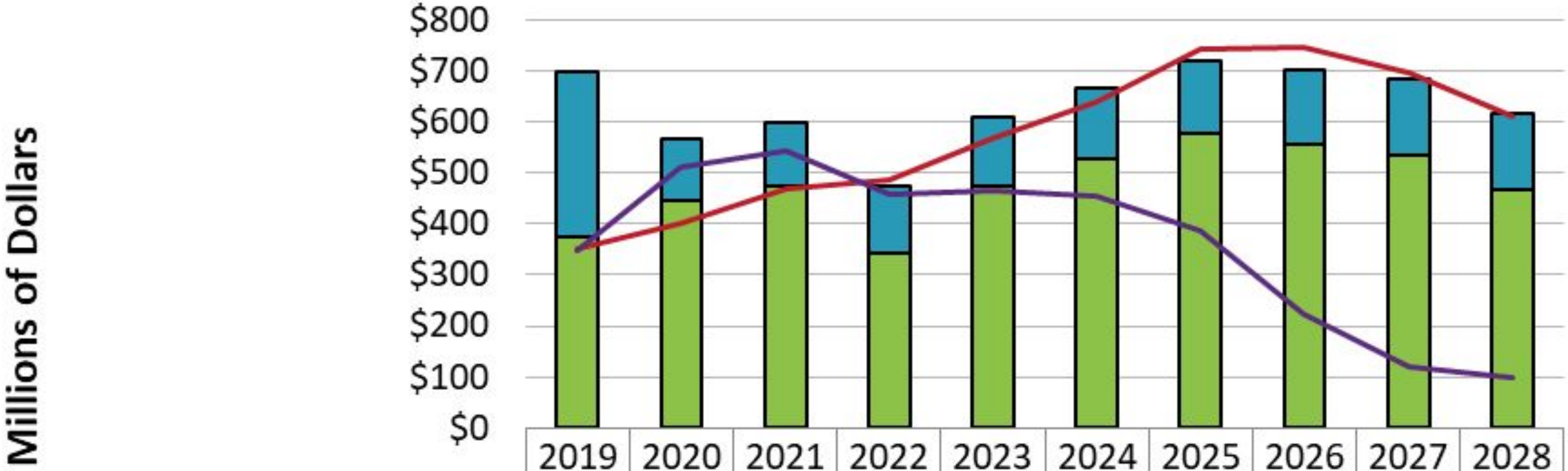
	2025	2026	2027	2028
Attachment Point: Both Scenarios	$21,000	$24,000	$28,000	$34,000
Scenario 1: Full Subsidies through 2027 and No State Subsidy in 2028				
Total ACA Individual Enrollment	289,155	275,295	263,327	231,968
Reinsurance Cost	$742,447,556	$746,876,203	$705,148,766	$613,637,982
Estimated Federal Pass Through	$577,750,590	$556,602,475	$550,309,859	$467,398,512
State Subsidy	-	$143,290,249	$140,448,020	-
YA Subsidy	-	$24,912,751	$25,791,057	$27,289,663
Net Funding EOY	$388,189,288	$173,830,310	$99,536,254	$75,506,551
Scenario 2: Reduce 250% FPL from 50% Replacement to 25%, Phase Down 200-250% FPL, and No State Subsidy in 2028				
Total ACA Individual Enrollment	289,155	275,295	259,377	231,965
Reinsurance Cost	$742,447,556	$746,876,203	$696,053,752	$612,935,433
Estimated Federal Pass Through	$577,750,590	$556,602,475	$536,378,631	$466,216,660
State Subsidy	-	$143,290,249	$115,640,934	-
YA Subsidy	-	$24,912,751	$23,968,403	$27,039,384
Net Funding EOY	$388,189,288	$173,830,310	$121,329,781	$97,071,054

Scenario 1 SRP Fund Projections 2019-2030



	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	$557	$550	$467
Reinsurance Cost	$353	$400	$468	$485	$568	$639	$742	$747	$705	$614
Fund Balance End-of-Year	$347	$513	$544	$459	$465	$454	$388	$224	$100	$76

Scenario 2 SRP Fund Projections 2019-2030



	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	$557	$536	$466
Reinsurance Cost	$353	$400	$468	$485	$568	$639	$742	$747	$696	$613
Fund Balance End-of-Year	$347	$513	$544	$459	$465	$454	$388	$224	$121	$97

2027 Subsidy Design Recommendation

Recommendation: Scenario 1

- Continue 2026 state and young adult subsidy parameters in 2027. Individuals enrolled during 2026 special enrollment periods without state subsidy would be eligible for 2027 subsidy at renewal.
    - Eligibility: 400% FPL or below, eligible for APTC, and ineligible for Medicaid
    - Subsidy design:
        - Fully replace ePTC up to 200% FPL;
        - Phase down from full ePTC replacement at 200% FPL to 50% replacement at 250% FPL
        - 50% replacement of ePTC 250%-400% FPL;
        - No state subsidy above 400% FPL;
        - Continue 2026 Young Adult Subsidy parameters: reduce the expected contribution for young adults 19-33 by 2.5%, phasing down by .5% for each year above 33 until the young adult subsidy fully phases out at age 38.

Rationale

- Maximizes 2027 enrollment and market stability
- Aligns with intent of uncompensated care funding
- Administrative simplicity

Upcoming Legislative Considerations

In the 2027 legislative session, the state will need to consider legislation to extend the state subsidy program and reinsurance fee if the state subsidy and reinsurance are to continue past 2027 and 2028, respectively.

- The state subsidy is only authorized for plan years 2026 and 2027.
- The 1% fee that supports reinsurance and the current 1332 waiver sunset December 31, 2028
  - To extend waiver, we need fee legislation in 2027 so that we can submit the extension application in late 2027 or early 2028
- MHBE is working on modeling to share in fall 2026 to inform legislation

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].

- Eligibility: 400% FPL or below, eligible for APTC, and ineligible for Medicaid
- Subsidy design:
  - Fully replace ePTC up to 200% FPL;
  - Phase down from full ePTC replacement at 200% FPL to 50% replacement at 250% FPL
  - 50% replacement of ePTC 250%-400% FPL;
  - No state subsidy above 400% FPL; and
  - Continue 2026 Young Adult Subsidy parameters.

3. State Reinsurance Program Parameters for 2027

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 2026 SRP Key Dates

April 20, 2026	**MHBE Board**	**Set estimated 2027 SRP parameters.**
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
July 2026	CMS	Publish estimated and final 2026 pass-through funding
July 2026	MHBE Policy	Finalize recommended 2027 SRP parameters
August 4, 2026	**MHBE Board**	**Set final 2027 SRP parameters.**
Mid-August – Early September	MIA	2027 rates finalized
September 2026	MHBE	Issuers receive SRP payments for 2025 claims experience

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	Final 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 PY2027 State Reinsurance Program Parameters

MOTION: I move to [approve/defer/reject] the following 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

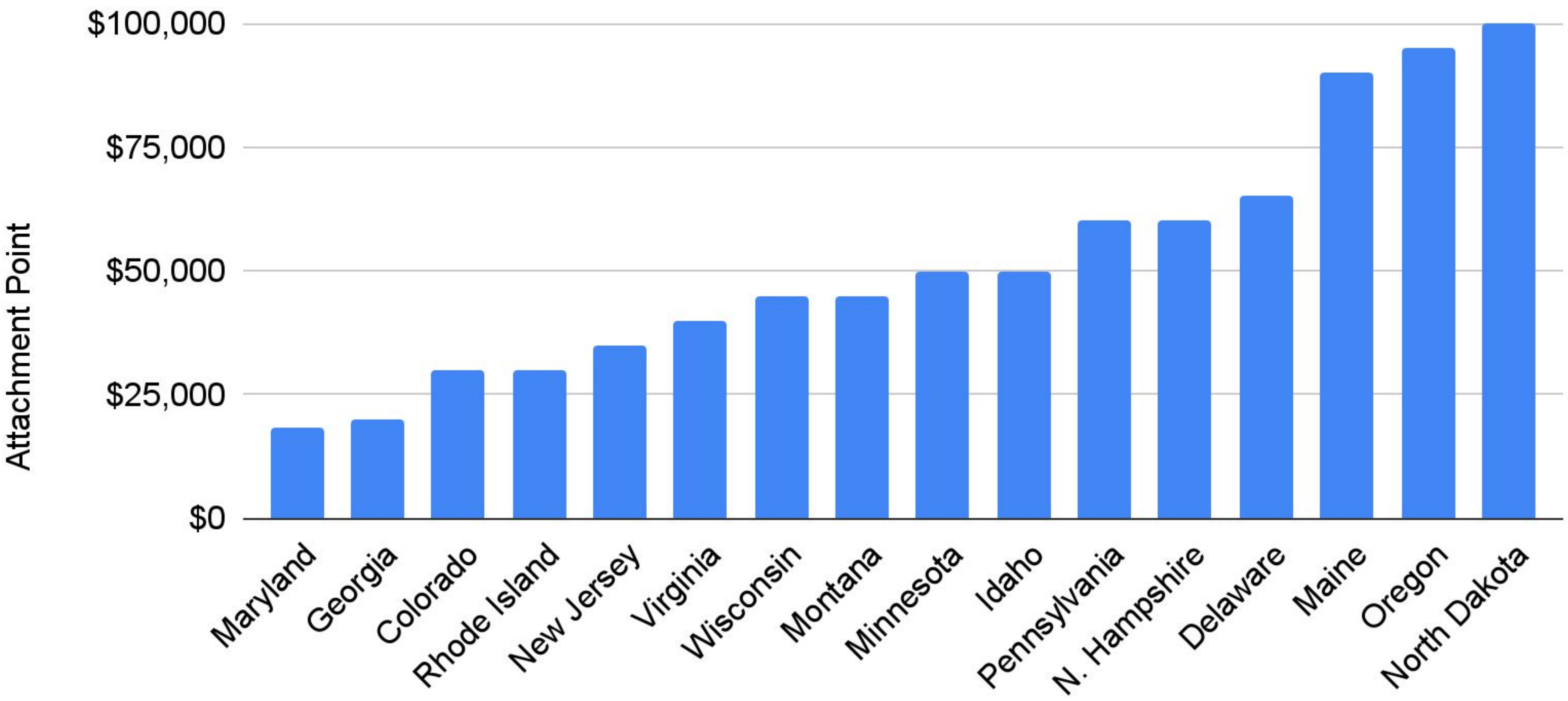
Carrier	# of Enrollees with Claims Reimbursed by the SRP	% of Enrollees with Claims Reimbursed by the SRP	Total SRP Payment	% of Total SRP Payment*	% of Total Market Enrollment
PY 2022					
CareFirst	12,297	81%	$386,768,673	80%	64%
Kaiser	2,446	16%	$82,396,335	17%	30%
United	392	3%	$15,755,448	3%	6%
Total	**15,135**	**100%**	**$484,920,457**	**100%**	**100%**
PY 2023					
CareFirst	13,931	79%	$445,282,727	81%	60%
Kaiser	2639	15%	$85,287,091	13%	26%
United	980	6%	$37,266,661	6%	14%
Total	**17,550**	**100%**	**$567,836,479**	**100%**	**100%**
PY 2024					
CareFirst	13,898	73%	$463,358,588	75%	51%
Kaiser	2524	13%	$84,972,090	12%	20%
United	2349	12%	$85,542,731	12%	27%
Aetna	143	1%	$5,064,988	1%	1%
Total	**18,914**	**99%***	**$638,938,398**	**100%****	**99%***

MARYLAND HEALTH BENEFIT EXCHANGE

*May not sum to 100% due to rounding

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

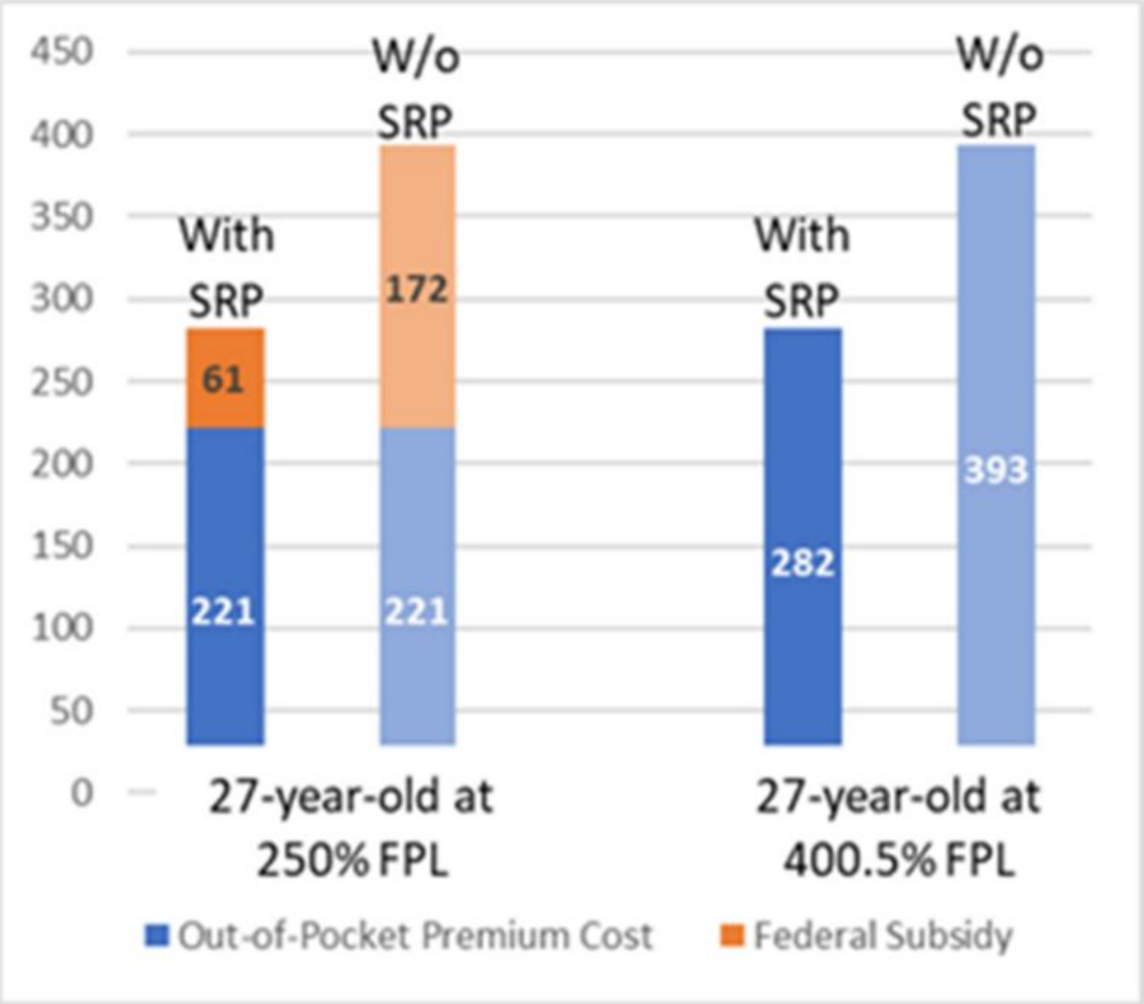
2023 Attachment Points - State Comparison



MARYLAND HEALTH BENEFIT EXCHANGE

https://www.cms.gov/files/document/cciio-data-brief-042024-508-final.pdf

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)



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