

Young Adult Subsidy Program Cap

Johanna Fabian-Marks, Director of Policy & Plan Management
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Background

- Board is required to establish eligibility and payment parameters
- MHBE may provide not more than \$20M/year in subsidies
- The Board has the authority to limit the availability of subsidies. Limits may take the form of:
 - A limit on the number of enrollees eligible for the subsidy
 - A limit on increases in subsidies during the plan year for enrollees after enrollment
 - Any other limit the Board deems appropriate
- Enrollment and projected annual cost will be monitored daily during open enrollment

Renewals Data: 2021 Enrollees Auto-Renewed for 2022 Coverage

# Young Adults	# Eligible for Subsidy	Subsidy PMPM	Subsidy PMPY
40,646	34,619	\$38.29	\$459.51

Proposed Decision-Making Framework

1. MHBE staff coordinate tracking of enrollment and projected cost
 - Key decision: Lapse rate assumption
2. A weekly update will be provided to the Board
3. When MHBE staff determine that projected cost has hit \$19.5M with the selected lapse assumption, implement cap
 - Key decision: Does the Board agree with implementing a cap when projected cost hits \$19.5M?
 - Key decision: Does the Board prefer to hold an ad hoc meeting to vote on cap, or does the Board prefer to delegate decision of when to execute a cap to MHBE Director in accordance with this decision framework?

Key Decision: Lapse Rate Assumption

Options	Assumption	OE Cap Would Be:*	Risks
<p>1. Assume lapse rates consistent with 2019 <i>(e.g., average length of coverage for a January enrollee is 8.77 months)</i></p>	Best estimate	<p>~23,500 new young adult subsidy recipients</p> <ul style="list-style-type: none"> • 68% increase over 2021 renewals 	If lapse rates are lower, program could exceed \$20M unless subsidies are reduced mid-year for existing enrollees
<p>2. Assume lapse rates consistent with 2020 <i>(e.g., average length of coverage for a January enrollee is 10.73 months)</i></p> <p><u>Staff's recommended assumption</u></p>	Between best estimate & most conservative	<p>~12,750 new young adult subsidy recipients</p> <ul style="list-style-type: none"> • 37% increase over 2021 renewals 	<p>If lapse rates are lower, program could exceed \$20M unless subsidies are reduced mid-year for existing enrollees</p> <p>If lapse rates are higher, could underspend \$20M. If 2022 lapse rates are the same as 2019, cap would yield total program spend of ~\$16M</p>
<p>3. Assume all 18-34-year-old subsidy recipients will remain enrolled for the entire year</p>	Most conservative	<p>~7,750 new young adult subsidy recipients</p> <ul style="list-style-type: none"> • 22% increase over 2021 renewals 	If lapse rates are higher, could underspend \$20M. If 2022 lapse rates are the same as 2019, cap would yield total program spend of ~\$14M

*Assumes new young adult subsidy recipients receive same average subsidy amount as 2021 renewals and cap is implemented when program cost reaches approximately \$19.5M.

Key Decisions

1. Lapse rate assumption
Staff recommendation - Assume lapse rates consistent with 2020
2. Dollar amount at which to cap the program:
Staff recommendation - \$19.5M
3. Young adult subsidy program closure to new enrollees and freezing of existing enrollee benefits:
 - Ad hoc meeting for Board vote
 - Delegate authority to MHBE Director based on Board-approved decision framework

Appendix

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

Expected Contribution (EC) for Benchmark Plan

% FPL	Federal EC	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%

Detailed Lapse Rates Assumption Options for 18-34-Year-Olds

Enrollment Month	Average Months of Coverage, 18-34 Enrollees		
	2019	2020	No Lapse Rate
1	8.77	10.73	12.00
2	8.61	10.54	11.00
3	7.44	9.10	10.00
4	6.94	8.50	9.00
5	6.11	7.47	8.00
6	5.21	6.38	7.00
7	4.80	5.87	6.00
8	3.85	4.71	5.00
9	3.16	3.86	4.00
10	2.47	3.00	3.00
11	1.85	2.00	2.00
12	1.00	1.00	1.00