

2026 State-Based Subsidy: Program Parameters Discussion and Proposed and Emergency Regulations

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Background (1/2)

- Enhanced federal tax credits, which have boosted enrollment since 2021, will expire at the end of 2025 unless Congressional acts
- Unless Congress acts, enrollment will decline in 2026 due to reduced affordability:
 - 190,000 MHC consumers will lose some or all financial support
 - Premiums estimated to increase by an average 68% for tax credit-eligible consumers

Background (2/2)

- [HB 1082](#) requires MHBE to establish a State-Based Individual Subsidy Program to mitigate enrollment losses and stabilize market in PYs 2026-2027
 - Contingency language: if Congress extends enhanced subsidies, no state-based subsidy
- Funding source is the same as for Young Adult Subsidy (state provider assessment that funds the state portion of reinsurance fund). Young Adult Subsidy would be discontinued or subsumed into broader State-Based Subsidy.
- State funds are insufficient to fully replace lost enhanced tax credits (would cost \$196 million/year gross), so MHBE's actuarial consultants have modeled several partial replacement options.

Action Requested

1. Discuss and provide guidance on program parameter options, with vote planned in July
2. Vote on proposed and emergency regulations for new state-based subsidy program (pursuant to HB 1082)



1. Proposed 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

2025 Federal Poverty Level (FPL) Income Thresholds

Household Size	200% FPL	300% FPL	400% FPL
1 person	\$31,300	\$46,950	\$62,600
4 people	\$64,300	\$96,450	\$128,600

Premium Tax Credit Expected Contribution for Benchmark Plan with and without eAPTC

Income (% of FPL)	Original (pre-ARPA) schedule, 2021 (% of income)	Original (pre-ARPA) schedule, 2025 (% of income)	ARPA/IRA schedule (% of income)
<138	2.07	1.82	0.0
138-150	3.10-4.14	2.73-3.64	0.0
150-200	4.14-6.52	3.64-5.73	0.0-2.0
200-250	6.52-8.33	5.73-7.33	2.0-4.0
250-300	8.33-9.83	7.33-8.65	4.0-6.0
300-400	9.83	8.65	6.0-8.5
>400	n/a	n/a	8.5

Sources: Internal Revenue Service; US Department of Health and Human Services; and American Rescue Plan Act of 2021, Pub. L. No. 117-2.

Source: https://www.urban.org/sites/default/files/2024-06/Who_Benefits_from_Enhanced_Premium_Tax_Credits_in_the_Marketplace.pdf

Potentially Impacted Enrollees: Currently APTC Eligible Under ARPA

Projected 2026 Subsidy Replacement Enrollment (APTC Eligible w ARPA)

Age Band/FPL	<150%	150-200%	200-250%	250-300%	300-400%	400+%
0-17	488	555	555	674	3,045	-
18-25	3,023	4,748	3,425	2,352	2,220	142
26-34	6,518	8,121	5,830	4,040	1,534	27
35-44	7,756	7,951	5,271	3,551	3,700	160
45-54	7,382	8,673	6,470	4,677	4,677	335
55-64	8,584	11,595	8,705	7,016	7,962	12,135
65+	8,433	785	440	299	184	9,205
Total	42,184	42,427	30,697	22,609	23,322	22,003

2026 ARPA/YA Subsidy Expiration Impact - Single Enrollee

Projected Net Premium Increase PMPY

Age Band/FPL	0%-133%	133%-150%	150%-200%	200%-250%	250%-300%	300%-400%	400%-600%	600%+
0-17	\$ 215	\$ 802	\$ 1,196	\$ 1,598	\$ 1,097	\$ 553	\$ 553	\$ 553
18-25	\$ 215	\$ 802	\$ 1,460	\$ 2,384	\$ 2,901	\$ 2,119	\$ 694	\$ 694
26-34	\$ 215	\$ 802	\$ 1,459	\$ 2,213	\$ 2,648	\$ 1,816	\$ 802	\$ 802
35-44	\$ 215	\$ 802	\$ 1,196	\$ 1,598	\$ 1,837	\$ 1,396	\$ 912	\$ 912
45-54	\$ 215	\$ 802	\$ 1,196	\$ 1,598	\$ 1,837	\$ 1,563	\$ 1,250	\$ 1,250
55-64	\$ 215	\$ 802	\$ 1,196	\$ 1,598	\$ 1,837	\$ 1,563	\$ 4,354	\$ 1,879
65+	\$ 215	\$ 802	\$ 1,196	\$ 1,598	\$ 1,837	\$ 1,563	\$ 5,774	\$ 2,127

Projected Net Premium Increase as % of Income

	0%-133%	133%-150%	150%-200%	200%-250%	250%-300%	300%-400%	400%-600%	600%+
0-17	2.1%	3.6%	4.3%	4.4%	2.4%	0.8%	0.6%	0.3%
18-25	2.1%	3.6%	5.3%	6.7%	6.6%	3.7%	0.7%	0.3%
26-34	2.1%	3.6%	5.3%	6.2%	6.0%	3.1%	0.8%	0.4%
35-44	2.1%	3.6%	4.3%	4.4%	4.1%	2.3%	0.9%	0.4%
45-54	2.1%	3.6%	4.3%	4.4%	4.1%	2.6%	1.3%	0.6%
55-64	2.1%	3.6%	4.3%	4.4%	4.1%	2.6%	5.2%	0.9%
65+	2.1%	3.6%	4.3%	4.4%	4.1%	2.6%	7.1%	1.0%

Considerations

1. Market impacts

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

1. Subsidy program cost

1. State Reinsurance Program and Fund impacts

- Impact on reinsurance cost
- Impact on pass through
- Desired SRP fund balance at the end of 2028 (~\$50M?)

Modeled Scenarios

- 1. No state subsidy replaces the enhanced APTC (eAPTC)**
- 2. State subsidy fully replaces eAPTC and**
 - a. No change to planned attachment point (\$22k)
 - b. Increase attachment point to \$30k
 - c. Increase attachment point to \$40k
- 3. Fully replace eAPTC up to 200% FPL, phase out subsidy to 250% FPL, no state subsidy above 250% FPL**
- 4. Fully replace eAPTC up to 200% FPL, phase out subsidy to 250% FPL, 50% replacement of eAPTC 250%-400% FPL and**
 - a. No change to planned attachment point (\$22k)
 - b. Increase attachment point to \$30k
 - c. Provide eAPTC to >400% FPL, no change to planned attachment point (\$22k)
 - d. Provide eAPTC to >400% FPL, increase attachment point to \$30k

Reinsurance Program Parameters Refresher

The state reinsurance program (SRP) has three key parameters governing the total amount of claims that the program covers in the individual market:

- 1) Attachment point (AP): annual claim level (for an individual) above which SRP reimbursements start
 - Each \$1,000 increase in the AP is projected to increase rates by ~0.6%
 - Increasing from 22k to 30k = ~5% increase
- 2) Cap: claim level at which SRP reimbursements stop and insurer bears full cost of claims
- 3) Coinsurance rate: percent of claims covered by SRP between attachment point and cap

Parameters	Final 2019-2022	Final 2023	Final 2024	Final 2025	Estimated 2026
Attachment Point	\$20,000	\$18,500	\$20,000	\$21,000	\$22,000
Coinsurance Rate	80%	80%	80%	80%	80%
Cap	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Dampening Factor	0.760-0.805	0.840	0.850	0.850	TBD

2026 State-Based Subsidy Parameter Modeling

State Subsidy Description		Reinsurance Attachment Point (2026)	2026 Program Cost (M)	2026 Net Cost (M)	2026 Total Ind. Market Enrollment (000s)	Enrollment decline compared to fully replacing ARPA (scenario 2a)	Net Funding EOY 2027	Net Funding EOY 2028
1	No replacement	\$22k	n/a	n/a	228	23%	\$199	\$49
2a	Full replacement	\$22k	\$186	\$110	298	n/a	(\$24)	(\$192)
2b	Full replacement	\$30k	\$190	\$71	292	2%	\$54	(\$54)
2c	Full replacement	\$40k	\$191	\$45	290	3%	\$106	\$42
3	Full to 200, phase out to 250	\$22k	\$67	\$13	268	10%	\$173	\$58
4a	Full to 200, phase to 250, 50% 250-400	\$22k	\$97	\$26	280	6%	\$314	\$148
4b	Full to 200, phase to 250, 50% 250-400	\$30k	\$98	+\$19	273	8%	\$359	\$240
4c	Full to 200, phase to 250, 50% >250	\$22k	\$129	\$68	286	4%	\$62	(\$104)
4d	Full to 200, phase to 250, 50% >250	\$30k	\$131	\$25	279	6%	\$315	\$149

Next Steps

- May 19: Staff presents options for 2026 parameters
- June 2 - June 30: Public comment period
- July 21: Board votes on final 2026 parameters



2. Proposed Regulations

Background and Summary of Proposal

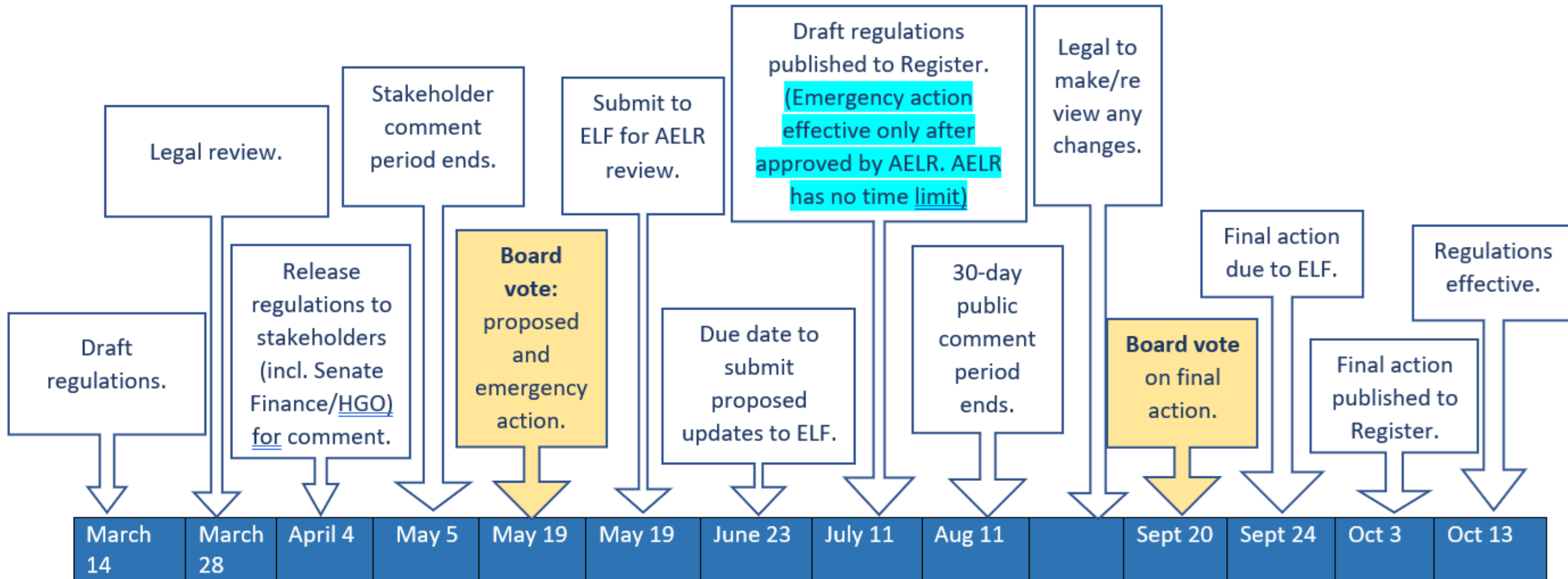
- HB 1082 directs MHBE to establish regulations for the new state-based subsidy program.
- MHBE proposes adding a new chapter to COMAR (see Board materials for language)
- The scope of the new regulations include the structure, implementation, and eligibility standards for the program (calculation of subsidies; data collection, reporting and maintenance; disbursement of subsidies; document retention and audits)
 - The proposed regulations include a provision that the Board set program parameters for 2026 and 2027 by December 31 of the preceding year
- MHBE staff recommend submitting this proposal as both a proposed action and “emergency action”
 - Could result in an earlier effective date
 - Helpful to have regulations effective before open enrollment activities begin

Stakeholder Feedback

MHBE received feedback from one stakeholder requesting the following:

Request	MHBE Response
MHBE develop a timeline for any limits that may need to be set to control program costs with which the public can engage	MHBE typically holds a 30-day public comment period after bringing any program parameters to the Board for consideration– MHBE would endeavor to follow the same practice for program changes due to cost
MHBE conduct outreach and support to enrollees impacted by changes to program parameters	MHBE will do its best to notify consumers about the upcoming changes to premiums and subsidies due to the expiration of federal enhanced tax credits, and if MHBE were to change parameters mid-year, we would do outreach about this as well
MHBE codify in regulation that limits would not be implemented until the start of the next plan year	MHBE agrees that honoring promised subsidy amounts for the full plan year is important, especially because recipients select their plans based on the amount of subsidy they are told they will receive. However, MHBE does need the flexibility to apply mid-year changes in an emergency situation.

Timeline



Request for Approval of Proposed/Emergency Regulatory Updates and Authorization to Submit for Review and Publication

MOTION: I move to [approve/defer/reject] the proposed and emergency regulations as presented, and authorize MHBE to submit the regulations [as presented/as amended] to the Joint Committee on Administrative, Executive, and Legislative Review for review and to the Department of Legislative Services for publication in the Maryland Register.

Appendix



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.