Maryland Health Benefit Exchange
Board of Trustees

August 18, 2025
2:00 p.m. – 4:00 p.m.
Meeting Held via Video Conference

Members Present:
Aika Aluc, Vice Chair
Marie Grant
Yvette Oquendo-Berruz, M.D.
Ken Brannan
JoAnn Volk, M.A.
Douglas Jacobs, M.D.

Members Absent:
Meena Seshamani, M.D., Ph.D., Chair
Katherine Rodgers
Maria Pilar Rodriguez

Also in Attendance:
Michele Eberle, Executive Director, MHBE
Johanna Fabian-Marks, Deputy Executive Director, MHBE
Tamara Gunter, Director, Consumer Assistance & Eligibility, MHBE
Brad Boban, Chief Actuary, Maryland Insurance Administration
Andy Ratner, Chief of Staff, MHBE
Tony Armiger, Chief Financial Officer, MHBE
Tisha Payne, Director, Human Resources & Organizational Effectiveness, MHBE
Christopher Randolph, Attorney General, MHBE
Maggie Church, Deputy Director of Marketing, MHBE
Christoper Randolph, Attorney General, MHBE
Brad Boban, Chief Actuary, Maryland Insurance Administration

Meeting Call to Order and Approval of Minutes
Aika Aluc, Vice Chair

Ms. Eberle welcomed everyone to the special Board meeting. She welcomed Douglas Jacobs, the new Executive Director of the Maryland Health Care Commission, to the Board and noted that he brings a wealth of experience and knowledge.

Ms. Aluc opened the meeting and moved to approve the minutes of the July 21, 2025 Board meeting as presented. Ms. Grant seconded. The Board voted unanimously to approve the minutes.

Final 2026 State Subsidy and Reinsurance Parameters

Johanna Fabian-Marks, Deputy Executive Director, MHBE

Ms. Fabian-Marks began by providing background information on the state reinsurance program (SRP). She explained that when the Affordable Care Act (ACA) market reforms went into effect in 2014 that it resulted in large increases in individual market rates from 2014 through 2018 and simultaneous declines in enrollment as premiums increased. In 2019 the SRP was created which led to three years of declining rates for an overall decrease of more than 30% compared to 2018. This was followed by modest increases in rates in line with market trends. As of 2025, individual market rates are still 17% lower than in 2018. Proposed 2026 rates increased by over 17% on average, largely due to the expiration of enhanced premium tax credits (ePTCs). Ms. Fabian-Marks then presented a chart displaying total individual market enrollment with both on-exchange and off-exchange enrollment. Enrollment started at over 250,000 people and fell until 2019 when the SRP began, after which enrollment gradually increased. Then enrollment sharply increased in 2023 when the end of the public health emergency and start of the Medicaid unwinding combined with ePTCs and the young adult subsidy program to spur a large increase in enrollment as individuals moved from Medicaid to the individual market.

Ms. Fabian-Marks then explained how reinsurance works. The SRP reimburses insurers for a portion of their claims costs and is designed to reimburse insurers for roughly a third of their claims costs. Lower costs allow carriers to charge lower premiums. The MHBE sets the parameters for the SRP annually which applies to the entire individual market, both on- and off-exchange. The SRP is operated under a Section 1332 waiver and the current waiver period ends on December 31, 2028. The SRP parameters consist of four components—attachment point, coinsurance rate, reinsurance cap, and dampening factor. The attachment point is the dollar value of an individual's claims beyond which the SRP starts paying a portion. When an individual accrues claims totaling over $20,000 in a year the SRP kicks in and starts paying 80% of claims (the coinsurance rate) until the individual's claims hit the reinsurance cap of $250,000. She explained that the attachment point is the main lever that the MHBE can adjust; it has been at $20,000 for most of the SRP's existence with a decrease to $18,500 in 2023 and an increase to $21,000 in 2025. The original plan was to continue to raise the attachment point by $1,000 each year moving forward to keep up with inflation, but MHBE staff are proposing to diverge from that plan due to the evolving circumstances of the market. Ms. Fabian-Marks noted that the SRP does not reimburse individuals directly; the reimbursement amount is calculated at an aggregate level and paid directly to the insurer. Carriers factor the assumption that they will receive the reinsurance payment into their rate development, and this leads to lower rates. The last reinsurance parameter is the dampening factor which is set by the Maryland Insurance Administration (MIA), but the Board determines whether a dampening factor is necessary. Ms. Fabian-Marks explained that the dampening factor is unique to Maryland and is meant to account for

the intersection between the federal risk adjustment program and the SRP. Both programs exist to compensate carriers for their high-cost enrollees and the risk of overlap of these programs is that insurers could be overcompensated for their high-cost enrollees. The dampening factor works to mitigate the risk of overpayment by adjusting the amount paid to each carrier.

Ms. Fabian-Marks then presented pie charts displaying the scope of the SRP in terms of the number of enrollees that trigger reinsurance and the amount of reinsurance payments. In 2024, 5% of enrollees met the threshold for payment, meaning they had claims that exceeded the attachment point of $20,000. The claims for these 5% of enrollees accounted for roughly two thirds of claims costs in the individual market and half of those costs were covered by the SRP. So overall a third of total claims costs in the market are reimbursed by the SRP. In total the SRP paid $639 million out of a total of $1.9 billion claims.

Ms. Fabian-Marks then explained the funding for the SRP. There are two sources of funding: state funds and federal funds. The state funds come from an assessment of 1% on health insurance premiums. The assessment is currently set to end in 2028 and will need to be extended if the SRP continues. In 2019 the assessment was 2.75% which raised more funds than needed for the SRP, so the legislature decided to lower the assessment to 1% starting in 2020 which is approximately $140 million a year. There is also reserve funding because the higher 2019 assessment and higher than expected federal funding in the early years of the program allowed the MHBE to build up a reserve of state funds which the MHBE has started to draw down to sustain the SRP. Under the Section 1332 waiver, states can waive certain ACA rules. If the waiver lowers premiums, which reduces federal premium subsidy costs, then those savings are passed along to the state to help run the waiver program through a mechanism known as pass-through funding. She noted that, to the extent a state intervention such as a subsidy increases APTC-eligible enrollment, it can also increase pass-through funding. This reduces the state funds needed for the SRP, partially offsetting the state cost of the intervention.

Ms. Fabian-Marks presented a bar chart displaying SRP funding for 2019 through 2025 including the amount of state funding, federal funding, the reinsurance cost, and end-of-year fund balance. Detailed slides are available in the presentation for this meeting. In the first three years of the SRP, the reinsurance cost was less than federal funding, allowing the MHBE to put the state funds into the reserve. In 2022, the MHBE started drawing down the reserve funds when the reinsurance cost exceeded the state and federal funding. She noted that the chart does not show other programs that are funded with the reinsurance program, including a senior prescription drug affordability program, a one-time $50 million transfer to Medicaid, health equity resource community grants, and the young adult subsidy. These programs have contributed to the decrease of the end-of-year balance seen in the chart in recent years.

Ms. Volk asked how much of the larger federal funding since 2023 shown in the chart reflects the ePTCs. Ms. Fabian-Marks responded that she doesn't have that specific breakdown of the federal funding but when the MHBE modeled out the possible extension of ePTCs they projected that federal funds plus the state assessment would be sufficient to cover the reinsurance program on an ongoing basis. The loss of ePTCs decreases federal funding significantly which would be visible if the chart went beyond 2025.

Mr. Jacobs asked for more information regarding the increased cost of the SRP in the past four years. Ms. Fabian-Marks responded that it is a combination of increased enrollment in the individual market in recent years and standard market trends.

Ms. Fabian-Marks then provided background information on the state subsidy. She explained that the impact of the loss of ePTC on the market will be profound. After the ePTCs expire at the end of 2025, tax credits will return to 2021 levels. For the 190,000 Maryland Health Connection (MHC) enrollees receiving tax credits, premiums are expected to increase by an average of 68%. For the 105,000 unsubsidized enrollees both on and off exchange, insurers have proposed a 17% average rate increase. This rate increase is due to the significant number of enrollees who are expected to drop coverage in response to the increased cost. These enrollees are likely to be healthier, leaving the remaining risk pool less healthy and more costly. Ms. Fabian-Marks presented the enrollment graph she showed previously with the addition of the events that influenced enrollment in the timeline such as the creation of the SRP, the creation of the ePTCs, and the start of the Medicaid unwinding.

House Bill (HB) 1082 was passed during the most recent legislative session. Maryland's HB 1082 requires the MHBE to establish a state-based subsidy program to mitigate the anticipated enrollment losses and stabilize the market in plan years 2026 and 2027. If Congress extends the ePTCs, then the MHBE will not move forward with the subsidy program. All three of Maryland's affordability programs, the SRP, the young adult subsidy program, and the individual subsidy program, use the same funding source which is the state premium assessment. Federal pass-through funding can be used for the SRP but not for either state subsidy program. Since the value of the ePTCs are so significant that state funds are insufficient to fully replace them, MHBE's actuarial consultants modeled partial replacement options.

Ms. Fabian-Marks noted that under the Budget Reconciliation Bill, also known as the One Big Beautiful Bill Act or H.B.1 there are several categories of lawfully present immigrants that will be losing their eligibility for APTCs. Starting January 1, 2026, lawfully present immigrants who are making under 100% of the federal poverty level (FPL) but are ineligible for Medicaid due to the five-year waiting period will be not eligible for APTCs—an expected 19,000 to 20,000 enrollees in Maryland. Starting January 1, 2027, lawfully present immigrants of all income levels will not be eligible for APTCs except for lawful permanent residents, certain Cuban or Haitian entrants, and Compact of Free Association (COFA) migrants. She explained that the impact of the loss of these APTCs for lawfully present immigrants was not factored into the modeling previously presented but was incorporated into the modeling being presented today. It was estimated that it would cost $154 million a year to replace APTC for the 20,000 lawfully present enrollees who will be losing their APTCs in 2026. Since it would be cost prohibitive to replace APTCs for this group the proposed state subsidy is limited to individuals who continue to be eligible for APTCs in 2026.

Ms. Fabian-Marks explained the priorities set forth for the subsidy design in HB 1082: mitigate tax credit reductions, maximize enrollment, consider how to continue to fund the SRP through 2028, and account for market uncertainties resulting from federal action and funding challenges. She gave a snapshot of the composition of enrollees currently eligible for ePTCs.

Ms. Fabian-Marks reviewed the considerations that the MHBE has weighed regarding the options modeled, which included market impacts, subsidy program cost, and SRP and fund impacts. The MHBE looked across three dimensions regarding the impact on the SRP, specifically the impact on

reinsurance cost, the impact on federal pass-through funding, and the SRP fund balance at the end of 2028.

Ms. Fabian-Marks then presented the details of the options modeled. Detailed slides are available in the presentation for this meeting. The MHBE modeled many scenarios but narrowed it down to two scenarios called A1 and A3, which were presented to the Board in July. Since then, the MHBE has further narrowed down the recommendation to the subsidy design presented to the Board as A1 but with a slightly higher attachment point for the SRP. Ms. Fabian-Marks noted that the actuarial modeling was updated to reflect two recent federal developments. The 2026 expected contribution table released by the Internal Revenue Service (IRS) had higher expected contributions than anticipated, which would make the state subsidy more expensive resulting in a negative $45 million impact on the reinsurance fund balance at the end of 2028. Lawfully present immigrants who are no longer eligible for APTCs were also removed from the modeling which resulted in a $50 million negative impact on the 2028 end of year balance because this population resulted in a lot of pass-through funding but is healthier than average. In total there was a negative $95 million hit to the projections after these federal updates were accounted for. For the projections, the MHBE assumed that they will be granted authority to continue a state subsidy through the end of 2028, but currently that authority only exist for 2026 and 2027 because the MHBE thinks that it is more likely that the legislature will chose to continue the subsidy program. The MHBE also assumed that the attachment point will be increased from anticipated $22,000 to $24,000 in 2026 which will help save a little funding with a positive $10 million impact on the 2028 end of year balance.

Ms. Fabian-Marks provided a sample of the subsidy scenarios for 2026 through 2028. The 2026 column maps out the components for the recommended parameters with an attachment point of $24,000, a continuation of the same young adult subsidy parameters, fully replacing the value of ePTCs for households with incomes below 200% of FPL, a phase down from full replacement at 200% FPL to 50% replacement at 250% FPL, and a 50% ePTC replacement for households with incomes between 250% and 400% FPL. Households with incomes above 400% FPL would not be eligible for a state subsidy. The MHBE determined that offering a subsidy to households with an income above 400% FPL would require a much higher attachment point of $30,000 and a higher attachment point would be more costly to the higher income group than is offset by the subsidy. Ms. Fabian-Marks noted that today the Board is only setting the parameters for 2026, so the 2027 and 2028 parameters displayed in the chart are to give the Board a sense of possible options for 2027 and 2028 and how they would play out. The MHBE modeled two possible scenarios, B2 and B3, however the MHBE is not recommending either scenario at this time. Both scenarios assume an attachment point of $30,000 in 2027 and $36,000 in 2028, would discontinue the young adult subsidy program, and would fully replace the value of ePTCs for households with incomes below 200% of FPL. Scenario B2 models the same subsidy in 2027 as 2026 for households with incomes between 200% and 400% FPL but no subsidy for these households in 2028. Scenario B3 models reducing the state subsidy by half for 2027 and 2028 for households with incomes between 200% and 400% of FPL.

Ms. Fabian-Marks explained that, in the B2 and B3 scenarios, the MHBE was trying to develop pathways that would leave the fund balance at a positive level at the end of 2028. Scenario B2 has a projected year-end balance of $19 million and scenario B3 has a projected year-end balance of $34 million. The MHBE is projecting an enrollment decrease of 15% for 2026 if the Board adopts the recommended parameters, with roughly half of that decrease due to the 20,000 lawfully present

immigrants losing APTCs. She noted that the projected enrollment decline without the state subsidy program would be 34%. The MHBE is projecting that, in 2028 under the example scenarios modeled, enrollment declines would still be 27% and 23% relative to a projected 39% decline without the state subsidy. Ms. Fabian-Marks commented that the MHBE considered whether they should choose this route of making the state subsidy the most generous in 2026 knowing that they would not be able to afford this level of generosity in 2027 and 2028 and whether it would be more prudent to be less generous in 2026 and save some funding for 2027 and 2028. After discussion internally and with the MIA and actuarial consultants, the MHBE decided that the recommended approach was the most prudent course. Even if Congress does not act to extend the ePTCs by the end of the year, there is still hope that they might take action next year once the full impact of their loss is felt nationally. So, the MHBE wants to hold onto as much enrollment as possible in 2026 in the hopes that there might be a change in the federal approach to tax credits because once enrollees are lost, it is more difficult to get them back in the market. The MHBE's thinking is to hold out as much as possible for 2026 and then start ramping down in 2027 and 2028 if necessary.

Ms. Fabian-Marks presented heat maps showing the projected premium increases for an individual by each age and FPL bracket in the baseline scenario where the MHBE does nothing after the end of the ePTCs compared to the projections under the recommended subsidy scenario. Detailed slides are available in the presentation for this meeting.

Mr. Brannan commended the MHBE staff for their work. He asked whether the best practices from other states have been included in the modeling. Ms. Fabian-Marks responded that MHBE and MIA staff are familiar with how other states have conducted their subsidies through past work exploring how other states have subsidized their market. This knowledge influenced the design of the young adult subsidy program which is the foundation for the state subsidy program. She noted that she is not aware of other states that have the funding to develop a subsidy for 2026 specifically to mitigate the loss of ePTCs.

Ms. Grant also commended the MHBE team and MIA actuarial staff for their hard work. She noted that Maryland is in a better position to help protect Marylanders from rising costs compared to other states. While Maryland cannot fully replace ePTCs she thinks that they have been very thoughtful in developing a design that works best for Maryland. Ms. Grant is very supportive of the proposal.

Mr. Jacobs commended MHBE staff for an excellent analysis. He asked about the impact of the discontinuation of the young adult subsidy program in 2027 and 2028 on disadvantaged communities who may become uninsured as a result. He also asked about the impact on pregnant women and whether a more nuanced approach to the subsidy design is need. Ms. Fabian-Marks responded that the MHBE will incorporate updated data from 2026 into the projections for the 2027 recommendation and will model many scenarios to determine the best option with the least impact on enrollment. The young adult subsidy may ultimately not be discontinued but it was an easy component to eliminate to achieve savings in the modeling.

Ms. Volk commended MHBE staff for a detailed analysis of a complicated situation. She commented that it would be great to have more data on the potential impact of eliminating the young adult subsidy when it is time to decide on its future. She also asked about the operational efforts needed by the MHBE to implement the state subsidy and whether MIA will have carriers refile rates to incorporate the new state subsidy. Ms. Grant responded that the insurers have been getting comfortable with

ambiguity and flexibility this summer given the changes in the market and the MIA anticipates asking carriers for updated rates based on the state subsidy with a quick turnaround. She noted that, since Maryland has a state-based marketplace, they have more flexibility and anticipate finalizing rates by mid-September. Ms. Fabian-Marks added that, from the MHBE operations standpoint, Maryland has a state-based marketplace with an exceptionally nimble Information Technology (IT) department that will implement the state subsidy in the system by the end of August so it will be in place by September when renewals are run. Renewal notices for 2026 will show the state subsidy enrollees are eligible for. When 2026 plans are published online in October, eligibility for state subsidies will be displayed.

Ms. Eberle commented that Maryland is fortunate to have a legislature that helped the MHBE to pass HB 1082 allowing the MHBE to create the state subsidy program. Also, the 2.75% assessment in 2019 allowed the MHBE to build up their reserve funds, putting Maryland in a better position to provide state subsidies. Only two other states, Colorado and California, are exploring similar options and are trying to find funding for subsidies. She noted that Maryland has a unique role in that they have the funding and were able to take legislative action, as well as having the staff at both MHBE and MIA to develop and implement the state subsidies.

Ms. Aluc moved to approve the final parameters for the State Subsidy Program for plan year 2026 as presented. Mr. Brannan seconded the motion. The Board members voted unanimously to approve the motion.

Ms. Fabian-Marks then moved onto the recommended SRP parameters for 2026. She provided a timeline of the key dates related to the SRP. Detailed slides are available in the presentation for this meeting. Estimated 2026 SRP parameters were set on February 18, 2025, to give insurers a sense of the 2026 parameters that could be used for their proposed rates with the MIA in the spring. Usually, final parameters are brought to the Board in July, so they are in place when the MIA finalizes rates with insurers mid-August to early September. Since MHBE staff were not ready to ask the Board to finalize the state subsidy parameters in July which are interwoven with the SRP parameters, MHBE staff are asking the Board to finalize the SRP parameters in August, but there is still time for insurers to incorporate the parameters into the final rates for 2026.

Ms. Fabian-Marks noted that, in February, the Board set the estimated reinsurance parameters with an attachment point of $22,000. As previously discussed, given recent developments MHBE staff are recommending increasing the attachment point to $24,000, which balances fiscal prudence with protecting enrollment.

Ms. Fabian-Marks reported that one public comment was received from Kaiser Permanente on the estimated SRP parameters. Kaiser Permanente supported annual increases to the attachment point of $2,000 to $5,000 to be more in line with other states and to devote funds to state subsidies or other affordability programs. MHBE staff are recommending this approach today. Kaiser Permanente also recommended that the state implement an incentive-based quality performance program that would tie some reinsurance funding to insurer performance on HEDIS quality measures. Ms. Fabian-Marks remarked that this is beyond the Board's statutory authority at the moment, but it could be considered in the future if that authority were to change.

Ms. Volk asked for more information about the dampening factor. Brad Boban, Chief Actuary with the MIA, responded that the .850 dampening factor is applied to the risk adjustment payment for each carrier. The dampening factor shrinks the risk adjustment magnitude for all carriers. Since risk adjustment is a zero-dollar sum, the total amount dampened is equal across the market. That amount for each carrier is applied to the reinsurance payment which Maryland has control over because Maryland cannot modify the federal risk adjustment payment.

Ms. Volk asked if the dampening factor changes year to year based on actuarial analysis. Mr. Boban responded in the affirmative. The actuarial analysis tries to measure the overlap by looking at cohorts by their health status. The method remains the same every year but, depending on the specifics of the risk adjustment and reinsurance results, the dampening factor has changed over time.

Mr. Jacobs asked if the Section 1332 waiver allows the legislature to increase the 1% assessment or if federal approval would be required. Ms. Fabian-Marks responded that a change to the assessment would not impact federal approval of the Section 1332 waiver, the state is only required to show that they can meet their obligation for the proposed program under the waiver. Ms. Fabian-Marks added that they anticipate that, in 2027, the legislature will have to consider what the assessment amount should be moving forward in preparation for the renewal application to extend the Section 1332 waiver past 2028.

Ms. Aluc moved to approve the following parameters to be the final plan year 2026 parameters for the State Reinsurance Program as presented: an attachment point of $24,000, a coinsurance rate of 80%, a reinsurance cap of $250,000, and dampening factor to be determined by the Insurance Commissioner. Dr. Oquendo-Berruz seconded. The Board members voted unanimously to approve the motion.

Adjournment

Ms. Aluc closed the meeting.