

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1082 (Delegate Pena-Melnyk, *et al.*)
Health and Government Operations

Health Insurance - Individual Market Stabilization - Establishment of the State-Based Health Insurance Subsidies Program

This bill requires the Maryland Health Benefit Exchange (MHBE), in consultation with the Insurance Commissioner and as approved by the MHBE Board, to 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 market. The program must be designed to maintain affordability for individuals purchasing health benefit plans through MHBE and target individuals who experience an increase in the federal applicable percentages for premiums based on household income in calendar 2026 compared to calendar 2025. MHBE must adopt regulations to implement the program and track specified program expenditures on a monthly basis. **The bill's effective date is contingent on the federal government eliminating or significantly reducing advanced premium tax credits (APTCs) and a specified determination of the impact on individual market premiums being made prior to July 1, 2026.**

Fiscal Summary

State Effect: MHBE can administer the program using existing budgeted resources. Should the contingency be met, MHBE special fund expenditures increase by a significant but indeterminate amount (as much as \$75 million in FY 2026 and 2027 only, for a total of \$150 million for calendar 2026) to provide State-based subsidies, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

State-Based Health Insurance Subsidies Program

Subject to available funds, for calendar 2026, MHBE, in consultation with the Commissioner and as approved by the MHBE Board, must establish eligibility and payment parameters for the program that (1) mitigate a reduction in APTCs because of changes in federal applicable percentages and (2) maximize enrollment in the individual market. On a monthly basis, MHBE must track expenditures on subsidies provided, as specified. The information must be posted on the MHBE website and included in MHBE's annual report.

Maryland Health Benefit Exchange Fund

The purposes of the MHBE Fund are expanded to include providing funding for the establishment of State-based health insurance subsidies to mitigate the impact of a reduction in federal APTCs. The composition of the fund is also expanded to include any funds designated by the State to provide State-based subsidies for this purpose.

In fiscal 2026 and 2027, MHBE may designate funds from the MHBE Fund for the program. Except as specified, funds received from the State health insurance provider fee assessment may only be used for the State Reinsurance Program (SRP) and the State-Based Health Insurance Subsidies Program.

Contingency

The bill is contingent on the federal government eliminating or significantly reducing APTCs and the MHBE Board and the Commissioner determining that the elimination or reduction will cause an increase of at least 15% in average premiums net of APTCs in the individual market. Within five days of making this determination, MHBE and the Commissioner must notify the Department of Legislative Services (DLS). If notice is received on or before July 1, 2026, the bill takes effect on the date notice is received and terminates July 1, 2027. If notice is not received by July 1, 2027, the bill is null and void.

Current Law:

Federal Advanced Premium Tax Credits

The federal Patient Protection and Affordable Care Act (ACA) established APTCs to help eligible households lower their payments toward premiums for qualified health plans

offered through exchanges. Under the ACA, APTCs were available to individuals with household incomes between 100% and 400% of the federal poverty level (FPL). The APTC formula incorporates a premium contribution for the household receiving the subsidy based on the household’s income multiplied by an applicable percentage. The American Rescue Plan Act (ARPA) expanded eligibility for and the amount of the APTC for calendar 2021 and 2022 by eliminating the maximum income limit of 400% FPL and reducing the applicable percentages, which resulted in larger subsidy amounts. The Inflation Reduction Act (IRA) extended ARPA provisions through calendar 2025. **Exhibit 1** shows expected contribution percentages by household income under the ACA compared with IRA/ARPA.

Exhibit 1
Expected Contribution Percentages under ACA vs. IRA/ARPA Parameters

Household Income (% of FPL)	<u>Individual Contribution to Premium (as a % of Income)</u>	
	<u>ACA</u>¹	<u>IRA/ARPA</u>
Up to 133%	1.82%	0%
133% to 150%	2.73% to 3.64%	0%
150% to 200%	3.64% to 5.73%	0% to 2.0%
200% to 250%	5.73% to 7.33%	2.0% to 4.0%
250% to 300%	7.33% to 8.65%	4.0% to 6.0%
300% to 400%	8.65%	6.0% to 8.5%
Above 400%	Credit not available	8.5%

ACA: federal Patient Protection and Affordable Care Act

ARPA: federal American Rescue Plan Act

FPL: federal poverty level

IRA: federal Inflation Reduction Act

¹Contribution percentages that would have applied in calendar 2025 but for the IRA/ARPA expansion.

Note: Under ACA’s original premium subsidy structure, contribution requirements are adjusted annually to reflect premium growth relative to income. By contract, ARPA expansion of the APTC established fixed contribution requirements that do not change.

Source: Maryland Health Benefit Exchange

The enhanced APTCs are scheduled to terminate December 31, 2025, unless extended by the U.S. Congress; thus, without further federal action, the subsidies will return to original ACA rules, with a 400% FPL maximum income limit and higher applicable percentages (resulting in lower subsidy amounts). Recent projections from the Congressional Budget Office predict that marketplace enrollment across the United States will decrease by 17% (4 million enrollees), when enhanced APTCs expire.

Maryland Health Benefit Exchange

MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Through the Maryland Health Connection, Maryland residents can shop for health insurance plans, compare rates, and determine their eligibility for federal APTCs and Medicaid. The MHBE Fund generally provides funding for the operation and administration of MHBE, SRP, and the State-Based Young Adult Health Insurance Subsidies Pilot Program.

State Reinsurance Program

SRP provides reinsurance to carriers that offer individual health benefit plans in the State. Carriers that incur total annual claims costs on a per-individual basis between a \$21,000 attachment point (the dollar amount of insurer costs above which an insurer is eligible for reinsurance) and a cap of \$250,000 are reimbursed for 80% of those claims costs. Payments to insurance carriers are made after the plan year ends and all costs have been recorded and reconciled. The federal Section 1332 waiver authorizing SRP expires at the end of calendar 2028. In calendar 2026, SRP is expected to cost \$538.9 million.

State-Based Young Adult Health Insurance Subsidies Pilot Program

Chapters 777 and 778 of 2021 required MHBE to establish and implement the State-Based Young Adult Health Insurance Subsidies Pilot Program for calendar 2022 and 2023 to help make health insurance more affordable for uninsured young adults. Subject to available funds, in fiscal 2022 through 2024, MHBE was authorized to designate monies from the MHBE Fund to be used for the pilot program so that no more than \$20.0 million in annual subsidies could be provided in calendar 2022 and 2023. Chapters 256 and 257 of 2023 extended the termination date of the pilot program to June 30, 2026, and authorized MHBE, in fiscal 2024 through 2026, to designate funds from the MHBE Fund to provide up to \$20.0 million in annual subsidies under the pilot program. Under the program, young adults ages 18 to 37 with incomes between 138% and 400% FPL are eligible for State premium assistance subsidies.

State Health Insurance Provider Fee Assessment

Under § 6-102.1 of the Insurance Article, a 1% State health insurance provider fee assessment provides funding for SRP through calendar 2028 to help stabilize the individual health insurance market. Funding for SRP is generated through a combination of federal pass-through dollars through the State's federal § 1332 waiver and from the 1% assessment. The provider fee assessment terminates at the end of calendar 2028. According to MHBE, the assessment is estimated to generate \$159.7 million in calendar 2026.

State Expenditures: MHBE advises that it does not anticipate any additional operating costs or staffing needs to implement the program for calendar 2026.

Contingency

If the federal government eliminates or significantly reduces APTCs, the MHBE Board and the Commissioner must determine whether that action will increase average premiums net of APTCs in the individual market by at least 15%. If this determination is made and DLS is notified by July 1, 2026, the bill takes effect on the date of notification. In turn, MHBE special fund expenditures increase by an indeterminate but significant amount to provide subsidies for calendar 2026 only. The amount of such expenditures cannot be reliably estimated at this time and will depend on federal actions and the specific eligibility parameters for the subsidy program established by MHBE.

Potential Costs of Subsidies

MHBE advises that almost 190,000 Marylanders currently receive enhanced APTCs and would lose some or all of their financial assistance if the enhanced subsidies expire. *For illustrative purposes only*, a 2023 [report](#) projected that the cost for the State to *fully* replace ARPA-enhanced APTCs would be around \$150 million in calendar 2026. Thus, MHBE special fund expenditures increase by a significant but indeterminate amount (as much as \$75 million in FY 2026 and 2027 only, for a total of \$150 million for calendar 2026) to provide State-based subsidies.

Additional Comments: Under the bill, funds received from the 1% State health insurance provider fee assessment may only be used for SRP and State-based subsidies. However, based on MHBE's [Joint Chairmen's Report on Reinsurance Program Costs and Forecast](#), it is unclear that sufficient funds are available to support SRP and provide State-based subsidies should federal advanced subsidies expire.

While federal enhanced APTCs are scheduled to terminate December 31, 2025, without congressional action, the bill takes effect on the date notification is received by DLS, provided the notice is received by July 1, 2026 (the first day of fiscal 2027). However, the

subsidy program is for calendar 2026 only. Accordingly, the contingency provisions may result in the bill being in effect for only six months.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced in the last three years.

Designated Cross File: None.

Information Source(s): U.S. Congressional Research Service; Comptroller's Office; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

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