MARYLAND HEALTH BENEFIT EXCHANGE

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Report on the Young Adult Subsidy Program

Pursuant to SB 601, Chapter 256(2) of the Acts of 2023

Maryland Health Benefit Exchange

In consultation with the Maryland Insurance Administration

December 18, 2024

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Executive Summary

Section 2 of Senate Bill (SB) 601 of the 2023 Maryland Legislative Session requires the Maryland Health Benefit Exchange (MHBE), in consultation with the Maryland Insurance Administration (MIA) to conduct a study of the number of individuals who signed up for health insurance through the Exchange because of the Young Adult Subsidy (YAS) program, and report on these findings and recommendations for the program.

The YAS program was developed to encourage increased enrollment of younger and healthier populations, because they are among the most likely to be uninsured and because increasing young adult enrollment reduces average insurance premiums due to young adults' better-than-average health. Young adults aged 18-34 make up 42% of the lawfully present non-elderly adult uninsured population in Maryland, and surveys of young adults consistently report costs as the primary barrier to enrolling in coverage.

Findings from the study show a positive impact of the YAS program on increasing enrollment and reducing the number of uninsured young adults in Maryland. These findings support the recommendation to continue MHBE's authority to operate the YAS program as an effective affordability measure to make health insurance more accessible for the state's young adult population and stabilize the individual market.

Since the launch of the program in 2022, Maryland Health Connection (MHC) has seen unprecedented growth in young adult enrollment, with young adult enrollees aged 18-34 increasing by 46% compared to an all-age MHC enrollment increase of 30%. While multiple factors have contributed to this enrollment growth, this study estimates that the YAS reduced the number of lawfully present uninsured young adults aged 18-34 in Maryland by 5% in 2022, which equates to an additional 4,700 young adults enrolling in or remaining insured in the individual market as result of the program. We estimate that these additional enrollees' morbidity impact on claims was -1.2% in 2022, which ultimately has the effect of reducing average premiums for all unsubsidized enrollees. Because we project that these young enrollees are healthier than average, we estimate that they bring in more federal reinsurance funding than they use, and consequently approximately half of the cost of the YAS program is offset by the additional federal funding.

Currently, MHBE is authorized to use up to $20 million per year from the State Reinsurance Program (SRP) fund to administer the YAS program, plus unspent funds rolled over from past years. The reinsurance program is stable and projected to be solvent through the current 1332 waiver period through 2028, thus leaving room for the state to draw down the ongoing annual costs of the YAS program (estimated at $24-$28M) without jeopardizing the current waiver. However, if the ARPA-enhanced subsidies terminate after 2025, as scheduled under current federal law, there will not be sufficient funding to maintain the SRP at its current size after the end of this waiver period. Loss of those enhanced federal subsidies, absent state action, will significantly disrupt the individual market and affect the long-term solvency of the reinsurance program, and would warrant separate consideration of the continuation of the YAS program.

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I. Background

Over the last several years, Maryland has taken significant steps to stabilize and improve the affordability of the individual market, including the implementation of the State Reinsurance Program (SRP) in 2019 which significantly reduced individual market premiums in the first couple years of the program, with average premiums still more than 17% below 2018 levels. Despite this and other successes, Maryland's uninsured rate has held steady at about 6%, with young adults remaining as the most likely to be uninsured. While the SRP has effectively reduced average premiums for higher-income Marylanders who receive minimal or no federal premium subsidies, it is not an effective way to reduce premiums for individuals below 400% of the federal poverty level (FPL).[1, 2]

In response to this, the Maryland Health Benefit Exchange (MHBE) convened an Affordability Workgroup in 2019 tasked with providing policy recommendations on other strategies to increase affordability for Maryland Health Connection (MHC) consumers. Premium subsidies are the most effective way to reduce costs for lower income individuals, and the Workgroup identified young adults as a population for targeted policy interventions. A 2019 analysis showed young adults ages 18-34 accounted for approximately 43% of non-Medicaid-eligible, lawfully present uninsured adults in Maryland, and surveys of young adults have consistently reported costs as the primary barrier to enrolling in coverage.[3] Additionally, it was noted that a long-term solution to ensuring affordability in the individual market requires the increased participation of the 18-34 age category to reduce the average morbidity of the risk-pool and thereby reduce average premiums.[4]

A. State-Based Young Adult Subsidy

At the legislature's direction, in 2022 MHBE launched the Young Adult Health Insurance Subsidies Program ("Young Adult Subsidy" or "YAS"), a two-year pilot program to provide a state-funded premium subsidy to help young adults reduce the amount they pay for health plans on MHC.[5] The program provides an additional state subsidy to eligible enrollees that pairs with federal premium subsidies to reduce premiums costs on a sliding scale, with the youngest and lowest income young adults paying the least.

Under 2022 and 2023 program parameters young adults were eligible to receive the state subsidy if they were between the ages 18-34, below 400% FPL, and ineligible for Medicaid. The program was extended for an additional two years through plan year (PY) 2025,[6] and eligibility parameters were expanded to adults up to age 37 beginning PY 2024.

Currently, MHBE is authorized to use up to $20 million per year from the State Reinsurance Program fund of the Maryland Health Benefit Exchange Fund, to administer the YAS program through PY2025.[7]

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[1] MHBE: Report on Establishing State-Based Individual Market Health Insurance Subsidies (December 2020). Pursuant to Chapter 104 of the Acts of 2020. See pages 10-11.
[2] MHBE: Draft Maryland 1332 State Innovation Waiver Five-Year Extension Application 2024-2028 (February 2023). See Appendix A, page 2
[3] Analysis of American Community Survey (ACS) 2019 1-year sample (note: ACS data do not include immigration status. These estimates impute immigration status based generally on previous Urban Institute results). Additionally, this analysis was updated with 2022 data, showing young adults ages 18-34 accounted for approximately 42% of non-Medicaid-eligible, lawfully present uninsured adults in Maryland.
[4] 2019 MHBE Affordability Workgroup: Final Report
[5] Pursuant to SB 729 / HB 780 of 2021
[6] Pursuant to HB 814 / SB 601 of 2023
[7] Pursuant to HB 953 / SB 701 of 2024, MHBE is authorized to "rollover" unspent funds from prior program years, for use in future years.

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II. Overview of Health Insurance Subsidies

In addition to Maryland's State-Based Young Adult Subsidy, this section provides an overview of other federal and state health insurance subsidies and affordability programs in the individual market.

The Affordable Care Act (ACA) provides two types of federal financial assistance for consumers purchasing health insurance through the Marketplace, to lower premiums and reduce out-of-pockets costs on a sliding income-based scale. At the state level, Maryland operates the State Reinsurance Program to reduce premiums for all unsubsidized enrollees in the individual market, and the Young Adult Subsidy program to reduce premiums for lower and middle income young adults.

A. Federal Advance Premium Tax Credits

Advance Premium Tax Credits (APTC) are federal subsidies that cap the expected contribution (the amount an individual must pay towards premiums for the state's benchmark plan) based on their household income. The American Rescue Plan Act (ARPA) increased the generosity of APTC by lowering the maximum amount individuals must pay toward the benchmark premium, thereby increasing federal subsidies, effective for 2021 and 2022. The Inflation Reduction Act (IRA) extended the ARPA enhanced tax credits through the end of 2025. Enhanced tax credits have reduced Marketplace premiums by an average 43% in Maryland, saving Maryland consumers an estimated average of $576 in premium spending per member per year.[8]

Table 1: Individual expected contribution percentages under American Rescue Plan Act (ARPA) compared to original ACA parameters

Household Income (% of FPL)	Individual Contribution to Premium (as a % of income)	
	Expanded PTC	Original ACA*
Up to 133%	0%	1.82%
133% - 150%	0%	2.73% - 3.64%
150% - 200%	0% - 2.0%	3.64% - 5.73%
200% - 250%	2.0% - 4.0%	5.73% - 7.33%
250% - 300%	4.0% - 6.0%	7.33% - 8.65%
300% - 400%	6.0% – 8.5%	8.65%
Above 400%	8.5%	Credit not available

*The contribution requirements shown in the "Original ACA" column are those that would have applied in 2025, but for the ARPA/IRA expansion.

B. Federal Cost-Sharing Reduction

Eligible Maryland Marketplace consumers with household incomes under 250% FPL qualify for additional Cost-Sharing Reduction (CSR) federal subsidies that reduce out-of-pocket costs consumers pay for medical care under a plan, including:

- Deductibles: amount the consumer has to pay for covered health care services before the insurer

[8] Internal MHBE analysis, September 2024.

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starts to pay.
- Copays: fixed dollar amount that the consumer pays for a covered service;
- Coinsurance: percent of costs the consumer pays for a covered service; and
- Maximum out-of-pocket (MOOP): the most a consumer has to pay for covered services in a plan year. After the consumer spends this amount on deductibles, copayments, and coinsurance for in-network care, the insurer pays 100% of the costs of covered benefits.

Consumers must enroll in a silver plan to access additional CSR subsidies.

C. State Young Adult Premium Subsidies

Maryland's Young Adult Subsidy (YAS) program is designed to further reduce the maximum expected contribution from the federal ACA parameters (outlined in table 1 above), for eligible young adults. In 2022 and 2023 young adults were eligible to receive the state subsidy if they were between the ages 18-34, below 400% FPL, and ineligible for Medicaid. Eligibility parameters were expanded to adults up to age 37 beginning PY 2024.

Table 2 gives a detailed breakdown of current 2024-2025 subsidy parameters by age and income, which reduces the federal expected contribution by 2.5% for enrollees between the ages of 18 and 33, and for enrollees ages 34 to 37 this 2.5% is reduced by 0.5% each year.

Table 2: PY2024-2025 parameters for Young Adult Subsidy expected contribution (EC) by age and income bracket, in relation to federal ACA income parameters

Expected Contribution (EC) for Benchmark Plan							
% FPL	Federal EC	MD Young Adult EC (2024-2025 Parameters)					
		18-33	34	35	36	37	38
		-2.5%	*-2.0%*	*-1.5%*	*-1.0%*	*-0.5%*	*-0.0%*
≤150	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
200	2.0%	0.0%	0.0%	0.5%	1.0%	1.5%	2.0%
250	4.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
300	6.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%
400	8.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%

Table 3 outlines historic and current program eligibility parameters for additional reference.

Table 3: 2022-2025 Young Adult Subsidy program parameters

	18-30	31	32	33	34	35	36	37	38
2022-2023 Parameters	-2.5%	-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.0%	0.0%	0.0%
2024-2025 Parameters	-2.5%	-2.5%	-2.5%	-2.5%	-2.0%	-1.5%	-1.0%	-0.5%	0.0%

D. Maryland's § 1332 Waiver and State Reinsurance Program

Maryland premiums are also subsidized by a robust State Reinsurance Program (SRP). Under Section 1332 of the Affordable Care Act, states may apply for State Innovation Waivers to waive certain federal requirements with the goal of improving their health insurance markets. During the 2018 legislative session, the Maryland General Assembly passed HB 1795, which directed MHBE to submit a State Innovation Waiver to the U.S. Secretaries of Health and Human Services and the Treasury to establish a

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State Reinsurance Program (SRP). In August of 2018 the Centers for Medicare and Medicaid Services (CMS) approved Maryland's State Innovation waiver for a five-year period through December 2023. In 2023 CMS approved MHBE's application to extend the waiver, authorizing the SRP for an additional five-year period through 2028.

The purpose of the SRP is to mitigate the premium impact of high cost enrollees on carriers that participate in the individual market (both on and off exchange), and ultimately reduce rates market-wide compared to what they would have been without the program. The SRP operates as a traditional, claims-based reinsurance program that reimburses qualifying health insurers for a percentage of an enrollee's claims between an attachment point and cap. Each year, the MHBE Board of Trustees must set the payment parameters for the SRP by determining the attachment point, the coinsurance rate, and the reinsurance cap.

Table 4: Historic and current SRP payment parameters

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

Funding for the SRP is through a combination of state funds generated by a 1% state-based health insurance provider assessment,[9] and in larger part by federal pass-throughs. The SRP reduces the unsubsidized premium level in Maryland which thereby reduces the federal spending on APTC. The savings in federal payments of APTCs as a result of the SRP are then passed on to the state (referred to as pass-through payments), which are used to help fund the SRP.

The SRP continues to stabilize the individual market: premiums are down, enrollment has rebounded both on and off-exchange, and as of plan year (PY) 2025 three new carriers have entered the individual market since the program launched in 2019. Individual market rates fell more than 30% from 2019-2021 and since then, rate increases have been consistently below the claim trends, with average premiums still more than 17% below 2018 levels. Without the reinsurance program, premiums would be an estimated 30 to 35% higher.[10]

[9] During the 2019 Session, HB 258/ SB 239 established a state-based health insurance provider assessment of 1% to contribute to funding for the SRP through 2023. During the 2022 Session, HB 413/ SB 395 extended the 1% health insurance provider assessment through calendar year 2028, in order to facilitate the state's application to extend the SRP for a second 5-year waiver period, through 2028, and to provide state reinsurance funds to support the SRP during that time.

[10] Maryland Insurance Administration Approves 2025 Affordable Care Act Premium Rates, September 5, 2024.

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Table 5: MHBE on-Exchange summary data, 2015-2025

Plan Year	On-Exchange Enrollment	Avg. Individual Premium Change
2015	131,974	10%
2016	162,652	18%
2017	157,637	21%
2018	153,571	28%
Reinsurance Starts		
2019	156,963	**-13%**
2020	158,934	**-10%**
2021	166,038	**-12%**
2022	181,206	**2.1%**
2023	180,958	**6.6%**
2024	214,892	**4.7%**
2025	TBD	**6.2%**

III. Recommendation on Amending the State's § 1332 Waiver

SB 601 first asked MHBE and MIA to look into whether the State's § 1332 waiver should be amended to include young adults or otherwise to maximize federal pass–through funds and impact the largest number of individuals so as to reduce the State's uninsured rate.

In order for a section 1332 waiver to be approved, the waiver proposal must:

1. provide access to quality health care that is at least as comprehensive and affordable as would be provided absent the waiver;
2. provide coverage to a comparable number of residents of the state as would be provided coverage absent a waiver; and
3. must not increase the federal deficit.

More detailed 1332 waiver information is available through the Centers for Medicare & Medicaid Services (CMS).[11]

The MHBE and MIA ultimately do not recommend altering the state's current 1332 waiver to directly incorporate the Young Adult Subsidy program. States already have the authority to implement state-based subsidy programs without the need to waive any ACA provisions, as is the case with the YAS. It is unclear what waivable provision Maryland would identify to include the YAS program under the waiver, but it would likely involve waiving federal APTC entirely and reformulating a state-based subsidy structure Marketplace-wide. The efficacy of this approach is currently untested as no state has adopted this strategy under a 1332 waiver, and is also beyond the scope of this analysis.

Additionally, including the YAS program under the waiver would theoretically result in a decrease in federal

[11] Center for Medicare & Medicaid Services, Section 1332: State Innovation Waivers: https://www.cms.gov/marketplace/states/section-1332-state-innovation-waivers#Fact_Sheets

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pass-through dollars. As mentioned above, if the 1332 waiver results in lowering federal APTC spending, these savings are passed on to the state as federal pass-through funding, which states can then use to fund their waiver program. If Maryland were to include the YAS program under the 1332 waiver, then the "with waiver" scenario would have more young adults enrolling and receiving subsidies (including federal APTC) than the "without waiver" scenario. In other words, the young adults that the waiver helps bring in would increase federal APTC spending, which would then reduce the overall pass-through Maryland receives through the waiver. However when the YAS program remains separate from the waiver as is currently the case, the resulting increased young adult enrollment does not impact federal APTC spending within the waiver, and therefore does not negatively impact federal pass-through calculations.

IV. Impact of the Young Adult Subsidy

SB 601 then tasked MHBE and MIA with providing an analysis of the impact of the YAS program since it was introduced in 2022, and the number of individuals who signed up for health insurance through the Exchange because of the Young Adult Subsidy.

A. Young Adult Enrollment Growth

Maryland Health Connection (MHC) has seen unprecedented growth in young adult enrollment since the launch of the program in 2022. As of September 2024, almost 60,000 young adults are receiving the subsidy. Current average monthly savings for households receiving the young adult subsidy is $38, reducing net premiums by an average 30% from $125 down to $87.

Table 6: Young Adult Subsidy program data as of September 2024

Average Monthly Savings	Average Premium After Subsidy	Average Premium Before Subsidy
$38 | 30%	$87	$125

Since the start of the subsidy program, young adult enrollment (age 18-34) is up 46% compared to an all-age enrollment increase of 30%, illustrating that young adult enrollment has significantly outpaced overall enrollment gains in the Marketplace. Additionally, young adults now make up 30% of total MHC enrollment, compared to 27% of total enrollment prior to the program.[12]

Enrollment data also indicates the program's contribution to increased health equity. Enrollment by Black young adults (age 18-34) increased year over year by 46%, and enrollment by Hispanic young adults increased by 50%, compared to overall year over year young adult enrollment increase of 27%.[13, 14]

[12] MHBE analysis of enrollment data as of August 2021 and August 2024.
[13] MHBE analysis of enrollment data as of January 2023 and January 2024.
[14] Beginning 2022, MHBE improved how race and ethnicity (R/E) data is captured through revisions to the R/E questions on the MHC application, which significantly improved informative response rates to the questions. It's therefore difficult to effectively compare young adult enrollment growth trends by R/E prior to the launch of the YAS in 2022, since data captured on R/E enrollment trends in 2022 were significantly influenced by the updates to the application. We therefore provided a year-over-year comparison of Black and Hispanic young adult enrollment growth between 2023 and 2024 in this report.

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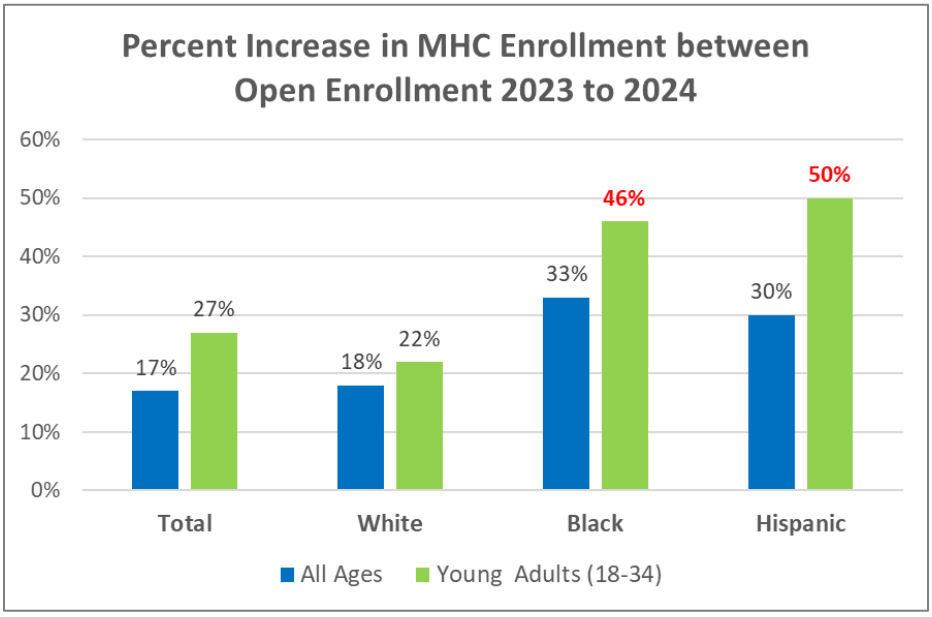
Table 7: MHC enrollment increase year-over-year between Open Enrollment 2023 and 2024, by race and age groups



However, the YAS program was implemented in the midst of many other changes in the health policy landscape. It is therefore complex to isolate the impact of the YAS program, in context with and consideration of the multiple disruptions to the market in the years preceding and during the YAS program.

Medicaid continuous coverage (March 2020 through May 2023):

- In response to the Covid-19 pandemic, states paused Medicaid terminations under the federal Medicaid continuous coverage requirement during the Public Health Emergency (PHE), for individuals who reported being over-income for Medicaid. This likely suppressed Exchange enrollment across the board, particularly young adult enrollment.

Enhanced federal subsidies (since April 2021):

- Enhanced federal APTC made available under ARPA have been a significant driver of large Marketplace enrollment increases nationwide and in Maryland. ARPA was designed to encourage people to buy individual health insurance during the Covid-19 pandemic by increasing the generosity of APTC.

Medicaid redeterminations (May 2023 through June 2024):

- May 2023 marked the beginning of the Medicaid "Unwinding" and the end of the continuous coverage requirement through the duration of the PHE, when states began redetermining Medicaid eligibility again and terminating coverage for those who were over-income.

These were all unprecedented changes that substantially affected enrollment in the individual market. Table 8 below provides a data snapshot of young adult enrollment, in relation to the start of the YAS program as well as the major market disruptions over the last few years.

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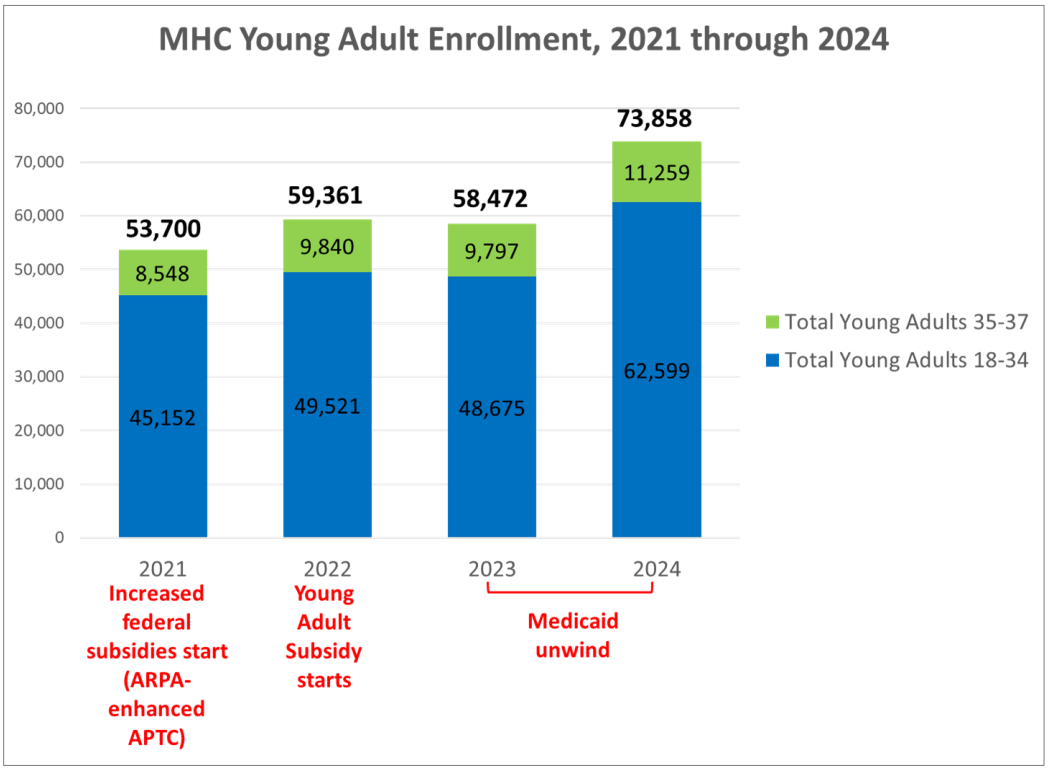
Table 8: MHC young adult enrollment 2021-2024, relative to major market disruptions



B. Multi-State Analysis of Young Adult Uninsured Rates

To account for these market-wide events and adjust for the impacts of ARPA-enhanced subsidies in 2021 and Medicaid retention beginning 2020 on enrollment trends, MHBE and MIA tasked MHBE's contracted actuaries Lewis & Ellis (L&E) with comparing young adult uninsured rates in Maryland against other states, in order to further examine the attributable impact of the YAS program on young adult enrollment through the Exchange.

For this analysis, states with expanded Medicaid and that did not implement a 1332 waiver in or after 2021 were selected for the multi-state comparison group to control for market differences between non-Medicaid vs. Medicaid expansion states, and to factor out market disruptions from 1332 waiver implementation. A total of 28 states met these criteria for the comparison group. The analysis compared changes in uninsured rates among lawfully present young adult aged 18-34 populations and the non-elderly adult population age 35-64, between 2021 (the year prior to the YAS) and 2022 (the first year of the YAS program). At the time of this analysis, uninsured data from 2023 was not yet available from the American Community Survey. Table 9 below shows the uninsured rates from 2021 to 2022 between Maryland and the 28 state comparison group, normalized by these age cohorts.

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Table 9: Uninsured rates in Maryland, compared to the 28 comparison states[15]

Uninsured Rate – Lawfully Present	A	B	C	D
	18-34		35-64	
	2021	2022	2021	2022
Maryland	7.5%	6.5%	4.9%	4.5%
28 State Comparison	9.3%	8.5%	6.4%	5.8%

Based on the uninsured data in table 9, table 10 below then calculates the change in the young adult uninsured rate in Maryland and the comparison states, relative to the entire lawfully present population, as well as the relative percent change in the number of uninsured young adults.

Table 10: Relative impact of Young Adult Subsidy program on uninsured rates in Maryland, compared to the 28 comparison states

	E (B – A)	F (D – C)	G (E – F)	H (G / A)
	Overall Change in Uninsured Rates 2021-2022		Relative Change in YA Uninsured Rate 2021-2022	% Change in Number of YA Uninsured 2021-2022
	18-34	35-64	18-34	18-34
Maryland	-1.0%	-0.4%	**-0.6%**	**-8%**
28 State Comparison	-0.8%	-0.5%	**-0.3%**	**-3%**

As shown in tables 9 and 10, the lawfully present young adult uninsured rate in Maryland fell more than the uninsured rate for lawfully present non-elderly adults ages 35-64 in Maryland, as well as relative to the comparison states. Maryland's young adult uninsured rate decreased by 1% from 2021 to 2022, compared to a 0.4% decrease for non-young adult Marylanders, and a cumulative 0.8% decrease for the young adult population in the 28 comparison states.

In table 10, this analysis further calculated that within the lawfully present young adult uninsured population in Maryland there was an 8% drop in the number of uninsured between 2021 and 2022, and a 3% drop within the 28 state comparison group. The overall 3% decrease in the 28 comparison states was considered to be the portion attributable to the impact of ARPA and Medicaid retention on changes in enrollment and uninsured rates among young adults across all states. So, in order to control for the impact of ARPA and Medicaid retention in Maryland, the 3% decrease was netted from the 8% decrease observed in Maryland. From this, the analysis estimates that the Young Adult Subsidy attributed to an overall 5% decrease in the number of lawfully present uninsured young adults aged 18-34 in Maryland, which equates to an additional 4,700 young adults enrolling in or remaining insured in the individual market in 2022.

The goal of this analysis was to estimate what would have happened in Maryland if the only change from 2021 to 2022 was the introduction of the YAS program. In other words, these 4,700 people include new enrollees attributable to the YAS program plus young adults who didn't lapse coverage, but otherwise would have in 2022 absent the program.

[15] Data source: US Census Bureau's American Community Survey 2021 and 2022 1-year sample, adjusted to exclude estimated undocumented population.

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C. Impact on Lapse Rates

To further assess the impact of the YAS program, MHBE conducted a comparative analysis of lapse rates among young adults to further identify whether the program had an impact on reducing lapse and improving enrollment retention among young adults. Health insurance lapse occurs when a consumer either terminates coverage before the end of their plan year, or is disenrolled due to failure to pay premium.

The analysis compared 2024 lapse rates among YAS recipients (age 18-34, below 400% FPL) with 2019 lapse rates for the same cohort. 2019 was chosen as the comparison year prior to the program's implementation to factor out influences from other major market disruptions discussed above between 2020-2023 (ARPA, PHE and Medicaid retention, and subsequent Medicaid redeterminations). Results from this analysis are provided in table 11.

Table 11: Estimated impact on lapse rates as a result of the Young Adult Subsidy program

	Young Adults $0 Net Premium	Young Adults No $0 Net Premium	Total
Lapse Reduction From 2019 to 2024	16%	10%	13%
ARPA Impact	2%	2%	2%
Non-EHB Impact	13%	0%	8%
Total Impact	**1%**	**8%**	**4%**
Average YA Subsidy PMPM (EHB Portion)	$13	$53	-

To further isolate the impact of the YAS, the analysis also split YAS enrollees into two cohorts, those eligible and ineligible for a $0 net premium in 2024 (generally young adults below 200% FPL). This breakdown controls for the impact of the non-essential health benefit (EHB) subsidy introduced under the YAS program in 2023.[16] Because 2019 had very few individuals with available $0 premiums due to less rich pre-ARPA subsidies and no YAS program, the analysis compared the cohort of young adults with the lowest premiums in 2019 to those with $0 net premiums in 2024.[17]

As shown in Table 11, young adults eligible for a $0 net premium saw a total 16% decline in lapse rates, whereas those ineligible for a $0 net premium saw a 10% decline in lapse rates, for a total average 13% decline among young adults. The analysis disaggregated the impact of the enhanced premiums under ARPA based on the change in lapse rates between 2019 and 2024 for non-young adults, identifying a 2% reduction attributable to ARPA, which did not vary significantly by FPL.

As explained above, the analysis further disaggregated the impact of the non-EHB subsidy, identifying a 13% reduction in lapse rates attributed to that subsidy for eligible young adults. This impact was calculated in a prior analysis which showed lapse rates for $0 net premium young adults fell 13% in 2023 compared to 2022 as a result of the non-EHB subsidy's implementation starting in 2023. More information on this analysis can be found in a separate report submitted to the legislature earlier this year pursuant to HB 937 (2022).[18]

[16] In 2022 the General Assembly passed HB 937, which beginning 2023 required the Exchange to expand the use of YAS funds in order to cover 100% of the cost of premium for young adults who would otherwise have a 0% expected contribution under the subsidy eligibility parameters. In other words, this modification allowed programs funds to cover the cost of the non-EHB attributable portion of premiums that cannot be covered by federal APTC. Federal regulations specify that APTC can only be applied to the portion of the premium attributable to EHBs.

[17] For example, if 40% of eligible young adults in 2024 had a $0 net premium, then the 2019 sample was young adults with the lowest 40% of premiums. The other 60% were then used in the "YAs No $0 Net Premium" scenario.

[18] Report Pursuant to HB 937: Report on Extending Last Dollar Coverage (2024).

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After splitting out the lapse attributable to ARPA and the non-EHB subsidy, we attributed the remaining reduction in young adult lapse rates to the YAS. Overall the analysis shows that the YAS had a net impact of reducing young adult lapse rates by 4% in 2024 compared to 2019. The impact was greater for the young adult cohort not eligible for the additional non-EHB subsidy, which is generally YAS enrollees above 200% FPL, who saw an 8% reduction in lapse attributable to the YAS program.

As demonstrated in the analysis, both the YAS and the non-EHB subsidy meaningfully reduced lapse rates. The most impactful reduction in lapse rates was achieved by contributing to those last few premium dollars with the non-EHB subsidy, which again reduced lapse rates by 13% between 2022-2023 for the eligible young adult group. However, the YAS also had a significant impact on lapse rates for the middle-income cohort ineligible for $0 net premiums. The average EHB portion of the young adult subsidy per member per month (PMPM) is highlighted in the last row of table 11 to show why the impact between the two cohorts differs significantly. The $0 net premium young adult cohort's average EHB portion of YAS averaged around $13 PMPM, and the non-eligible young adult cohort averaged $53. Young adults eligible for $0 net premiums are more likely to be low income (general income eligibility for the additional non-EHB subsidy for young adults is at or below 200% FPL) and have the majority of their premium already covered by ARPA-enhanced APTC, making the EHB portion of the YAS less impactful.

It should be noted that other external factors that occurred between 2019 and 2024 may have influenced lapse rates other than the factors included in this analysis.

V. Conclusion and Recommendations

A. Review of Findings

Over 60,000 young adults are currently benefiting from increased financial assistance through the YAS program, reducing household premiums for YAS recipients by an average 30%. Since the launch of the program in 2022, Maryland Health Connection has seen unprecedented growth in young adult enrollment, with young adult enrollees aged 18-34 increasing from a little over 45,000 in 2021, to over 62,000 in 2024 as of January. This equated to a 46% enrollment increase for young adults compared to an all-age MHC enrollment increase of 30% since the launch of the program in 2022. Young adults now account for 30% of total MHC enrollment, up from 27% of total enrollment prior to the program in 2021.

MHBE and MIA conducted an analysis to assess the impact of the YAS while controlling for major market disruptions that impacted enrollment in the years prior to and during the YAS program in Maryland, including Medicaid continuous coverage during the PHE through 2023, and the ARPA-enhanced federal subsidies introduced in 2021. These results support the program's attributable impact on increasing young adult enrollment and improving enrollment retention. This analysis estimates that the YAS resulted in an 5% decrease in the number of lawfully present uninsured young adults aged 18-34 in Maryland in 2022, which equated to an additional 4,700 young adults enrolling in or remaining insured in the individual market in 2022, who otherwise would not have enrolled or would have lapsed coverage absent the YAS program. The analysis also specifically tested the impact of the YAS on lapse rates, finding a net 4% reduction in the overall lapse rates for young adult subsidy recipients in 2024 compared to 2019. The impact was larger for the young adult cohort not eligible for the additional non-EHB subsidy, who saw an 8% reduction in lapse attributable to the YAS program.

B. Additional Discussion

Young adults are relatively healthier compared to other age cohorts, and also tend to be more price

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sensitive, evidenced by surveys of young adults consistently reporting costs as the primary barrier to enrolling in coverage. Programs that promote increased young adult enrollment can have broader market-wide benefits by increasing the pool of relatively healthier younger enrollees who offset higher-cost enrollees, which improves the overall morbidity of the market and reduces average premiums for everyone. We estimate that the YAS program's morbidity impact on claims was -1.2% in 2022, due to the 4,700 young adults estimated to have enrolled or remained in coverage as a result of the YAS that year. The morbidity impact may be even greater in 2023 and 2024, years in which we saw significantly increased young adult enrollment, but we were not able to estimate the impact for more recent years at this time because necessary data from the Census Bureau has not yet been released.

Members of the legislature had expressed interest in whether there are ways to further look into health outcomes of young adults in the state, to evaluate any improvements in state-wide health outcomes among young adults since the introduction of the YAS program. While we don't currently have sufficient data from YAS program years to be able to directly attribute impacts from the program on health outcomes, MHBE is interested in pursuing this analysis in the future. In general we know that having health insurance significantly improves individual health outcomes due to increased access to care. Evidence from an extensive body of research shows that insured individuals are for example much more likely to receive routine preventive screening and services, and receive early diagnosis and better management of chronic conditions.[19, 20]

The 2023 Maryland State of the Economy Report connects young adults' health to the state's broader economic challenges. As the Comptroller's report states, "LPR [*labor participation rate*] in the state has declined for both men and women, noticeably between the ages of 25 and 44. [...] the drop in this age group is concerning as most workers approach their peak earnings in their 40s." The report identifies poor health conditions of the working age population as a notable factor contributing to Maryland's LPR decline since the Great Recession, specifically citing increasing trends in rates of mental health issues and issues related to substance use disorder, both of which serve as health-related barriers to labor force entry. In particular, young adults aged 18 to 34 have higher reported rates of depression than other age groups, and Maryland has been disproportionately affected by the opioid and drug overdose epidemic.[21] The ACA not only increased insurance coverage over the last 10 years, but also built on federal mental health parity laws by requiring all individual and small group market plans to cover mental health and substance use disorder services.[22] These statistics highlight young adults' need for mental and behavioral health support, and the benefit of programs like the YAS that improve access to behavioral health treatment by increasing the affordability and accessibility of health coverage. The Comptroller's report underscores the fact that young adults' health, which we know is affected by their health coverage, is important not just at an individual level, not just at an insurance risk pool level, but also for the economy of our state.

C. Recommendations and Funding Considerations

Findings from this report demonstrate the effectiveness of the Young Adult Subsidy program in increasing young adult enrollment, reducing young adults' uninsured rate, and improving the morbidity of the individual market risk pool, and support the recommendation that the program be continued as a permanent program beyond 2025, contingent on continuation of the state assessment and sufficient funding to support the YAS.

[19] American Hospital Association. Report: The Importance of Health Coverage.
[20] U.S. Department of Health and Human Services, Office of Disease Prevention and Health Promotion. Literary Summary: Access to Health Services.
[21] Office the Comptroller, Maryland 2023 State of the Economy.
[22] Healthcare.gov: Mental health & substance abuse coverage. https://www.healthcare.gov/coverage/mental-health-substance-abuse-coverage/

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As previously mentioned, the YAS program is currently funded from state dollars in the State Reinsurance Program fund and is capped at $20 million annually, plus any unspent funds from prior years (funding for the SRP is generated through a combination of federal pass-throughs (federal dollars) and a 1% state premium assessment (state dollars)).[23]. Due to recent extraordinary growth in young adult enrollment, subsidy expenditures were approximately $23.9M in 2024 and we project will be in the range of $24M-$28M per year through 2028. This report further recommends that the continuation of the YAS program be contingent on the continuation of the state assessment and the availability of funding to support the YAS. Additionally, given medical trends and rising program costs, we recommend providing the MHBE Board with flexibility to allocate funding between the SRP and YAS, enabling the Board to balance the funding outlook for the SRP and the benefits of both programs to the individual market when setting YAS payment parameters.

We note the importance of preserving SRP funds for the purpose of funding the reinsurance program, and ideally would prefer to see a separate funding source for the YAS program established at some point in the future. The reinsurance program is stable and projected to be solvent through the current 1332 waiver period through 2028 Furthermore, there is currently enough balance in the reinsurance fund from past years to support with withdrawal of the funding necessary to maintain the YAS at its current scope through 2028 while maintaining the fund's solvency. However, if the ARPA-enhanced subsidies end after 2025, there will not be sufficient funding to maintain the SRP at its current size after the end of this waiver period. The loss of ARPA-enhanced subsidies, absent state action, will significantly disrupt the individual market and the solvency of the reinsurance program, and would require the MHBE Board to re-evaluate the long-term feasibility of funding the YAS program with state reinsurance dollars. A report submitted to the legislature last year pursuant to HB 413 (2022) showed that Maryland's state reinsurance assessment is among the lowest nationally, and other states have fully replaced the expired federal 2.75% health insurance provider fee with an equivalent state fee and used this money to fund their affordability programs.[24] For example New Mexico increased their premium assessment from 1% to 3.75% 2022 to fully fund their additional state premium assistance program. New Jersey also has a 2.5% premium tax to help fund state affordability programs.

The HB 413 report also highlighted that while the new young adult enrollees that the YAS program brings into the market add costs to the SRP, they also result in greater federal pass-through funds for the portion of the pool that is eligible for APTC. For this population, the additional extra pass-through funds have modestly exceeded their associated reinsurance costs, due to young adult enrollees being relatively healthier with lower associated claims costs.[25] In 2022 young adult individual market enrollees aged 18-34 accounted for around 13% of total SRP payments, compared to for example enrollees aged 35-54 who accounted for around 34% of SRP payments.[26] We estimate that roughly half of the total YAS program cost in 2022 is offset by a net increase in federal pass-through funding generated by the additional young adult enrollees brought in by YAS.

Maryland's experience with the Young Adult Subsidy Pilot Program demonstrates the program's success across multiple metrics: increased young adult enrollment, a reduction in young adult uninsured rates, improved morbidity in the individual market, and increased federal funding for the reinsurance program. Maryland continues to be a national leader in improving affordability for individual market enrollees, and the YAS program has proven its value as part of the state's toolbox in these efforts.

[23] Md. INSURANCE Code Ann. § 6-102.1
[24] Section 9010 of the ACA created a federal health insurance provider fee ("9010 fee") for covered entities engaged in the business of providing health insurance. The collection of this fee was suspended in 2019 by the 2018 federal spending bill, and was ultimately repealed by the 2020 Further Consolidated Appropriations Act, beginning 2021
[25] Report pursuant to HB 413: Report on the Impact of the State Reinsurance Program (2023)
[26] 2022 Reinsurance Program Carrier Accountability Report