MARYLAND HEALTH BENEFIT EXCHANGE

# Impact of Potential Proposals on Maryland Health Connection Private Plan Enrollees

## May 2025

Maryland Health Connection is the primary place that Marylanders buy commercial health insurance if they don't get it through an employer or a government program like Medicare or Medicaid. It covers nearly 240,000 individuals, and is a critical source of coverage for small business owners, who account for an estimated 25% of enrollees. Individuals enrolling through Maryland Health Connection can access federal tax credits to reduce monthly premium costs.

**Federal Proposals in House Reconciliation Bill**

Congress and the Trump Administration have proposed changes to when and how Marylanders can enroll in private commercial plans through state health insurance marketplaces, including Maryland Health Connection. These changes would reduce state flexibility to design a health insurance marketplace that responds to the needs of Marylanders; put barriers into place that would make it harder for families to enroll in private coverage; and result in millions of dollars of increased administrative costs. They could also lead to fewer health individuals enrolling in coverage, potentially increasing premium rates by 2% or more. Rate increases would have the greatest impact on the 107,000 individuals enrolled in the individual market who do not receive federal tax credits to reduce their premium costs.

Almost all of these changes are proposed to go into effect for coverage starting January 1, 2026, which means that many MHBE system changes would need to be completed before MHBE starts processing current enrollees' renewals in September 2025 and enrolling new individuals in November 2025. It is not feasible to implement changes of this magnitude in just a few months. Furthermore, the federal government earlier estimated that it would cost state marketplaces like Maryland Health Connection $28M to implement just a subset of these provisions, and $6M in ongoing annual costs, costs which Maryland Health Connection does not have the capacity to absorb. And those estimates were released before many more operational requirements were added to the bill.

In addition, the proposals released by Congress do not address the needed extension of enhanced tax credits for health coverage for calendar year 2026 in the individual market. The expiration of these enhanced tax credits would result in approximately $160 million fewer federal dollars to assist in purchasing health coverage in Maryland; could result in increases in rates marketwide between 12% and 17%; and could result in the loss of coverage for over 70,000 Marylanders.

## Table 1. House Reconciliation Bill and Projected Impacts

| Changes | Projected Impact |
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| **Enrollment Opportunities** | In 2024, 228,000 people (74% of all enrollees in 2024) used one of the enrollment opportunities that are proposed to be eliminated or restricted. |
| Shortens open enrollment by four weeks (Now Nov. 1 - Jan. 15; proposed Nov. 1 - Dec. 15) | ● Over the last three years, about 40% of new enrollments during the open enrollment period occurred between Dec. 16 and Jan. 15. On average, these individuals are younger than those who enroll in the first month of open enrollment. |
| Prohibits enrollees from automatically renewing coverage with premium tax credits | ● In 2024, MHBE autorenewed 146,000 enrollees (76% of renewing enrollees) into 2025 coverage. Research suggests that as many as 40% of impacted enrollees (43,000 individuals) may drop coverage if presented with administrative barriers to renewing coverage. Currently, enrollees who continue to be eligible for coverage, as confirmed by electronic data sources that verify income and immigration status, have their existing plan autorenewed, with tax credits based on the most recent income data available to MHBE, if they do not take action to cancel or change plans. This is standard in employer plans because research shows that requiring action to renew leads to a significant portion of enrollees losing coverage. The proposed legislation requires individuals to actively update their information each year in order for coverage with financial assistance to renew. |
| Requires verifications for 75% of individuals who have a qualifying life event and enroll outside of open enrollment | ● In 2024, approximately 60,000 individuals enrolled in coverage through Maryland Health Connection outside of open enrollment. On average, these enrollees were younger and higher income. |
| Eliminates additional flexibility to enroll outside open enrollment for people below 150% of the federal poverty level (FPL) | ● Around 1,000 individuals under 150% FPL use the flexibility to enroll outside open enrollment each month. |
| **Eligibility for Federal Tax Credits for Health Insurance Premiums** | In total, more than 144,000 Marylanders would face additional hurdles to enroll and could lose financial assistance that lowers premiums each year. |
| Significantly reduces the categories of legally present non-citizens who are eligible for tax credits to lower their premiums. No longer eligible categories include: asylees, refugees, people with Temporary Protected Status, and all lawfully present immigrants with incomes under 100% FPL. | 24,000 Marylanders could lose financial assistance that lowers premiums each year. In addition to the loss of coverage for impacted individuals, this is likely to lead to higher premium costs for individuals eligible for premium tax credits. |
| Requires tax-credit eligible enrollees to pay the full premium cost until they resolve inconsistencies between their application and electronic data sources used to verify information | 10,000 Marylanders could lose financial assistance while they resolve data issues |

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| If household income data are not available from the Treasury Department or state wage data, enrollees will need to provide additional documentation and can no longer attest to household income<br><br>Makes individuals ineligible for tax credits to lower their premiums if they did not file taxes for one previous year (Currently, individuals lose eligibility if they did not file taxes for two consecutive previous years.)<br><br>Makes DACA recipients ineligible to receive federal tax credits to reduce premiums<br><br>Increases risk of tax liability for individuals receiving tax credits to lower their premiums | 85,000 Marylanders who enrolled for 2025 coverage would have had to provide more documentation to receive premium tax credits<br><br>25,000 Marylanders could lose financial assistance that lowers premiums each year.<br><br>250 Marylanders would lose financial assistance that lowers premiums each year.<br><br><u>190,000 Marylanders could be at risk of large, unexpected tax bills due to unforeseen changes in their annual income.</u> |
| **Reduces Federal Tax Credits for Health Insurance Premiums**<br><br>Changes the way tax credits to reduce premiums are calculated<br><br>Reduces the cost of the plan against which tax credits are benchmarked | Lower tax credits are projected to increase premium costs by 4.5% for eligible individuals.<br><br>Will significantly lower tax credits for eligible individuals and reduce their buying power, forcing many enrollees to choose less generous plans that increase their out-of-pocket costs. |
| **Plan Design**<br><br>Reduces the amount that insurers have to cover when enrollees use health care services; allows insurers to increase how much enrollees have to pay when they use care. | Will increase out-of-pocket costs for the sickest enrollees by requiring them to pay more before their insurance company starts fully covering costs. Could increase out-of-pocket costs for all enrollees when they use health care services. |
| **Small Business Market**<br><br>Allows small businesses to offer both CHOICE plans (which allow employers to contribute funds to a health reimbursement account for an employee to buy an individual market plan) and small group plans to the same employees. | Could facilitate adverse selection into the individual market, increasing premium rates and costs to the state reinsurance program. |