Maryland: State Innovation Waiver Amendment

January 15, 2025

The U.S Department of Health & Human Services and the U.S. Department of the Treasury (collectively, "the Departments") approved Maryland's application for an amendment of its State Innovation Waiver under the Affordable Care Act (ACA) (referred to as a "section 1332 waiver") for Plan Years (PY) 2026 through 2028. The amendment will allow for implementation of the state's Qualified Resident Enrollment Program, which allows all qualified Maryland residents to enroll in Qualified Health Plans (QHPs) and Qualified Dental Plans (QDPs) through the state's Exchange, the Maryland Health Connection administered by the Maryland Health Benefit Exchange (MHBE). This will help Maryland work towards its goals of improving health equity and reducing racial disparities by expanding access to coverage for the uninsured population and will not impact eligibility for the federal premium tax credit (PTC). Additionally, implementation of Maryland's state-based reinsurance program—which lowers individual market premiums and results in more consumers in the state being covered—will continue under the amended section 1332 waiver plan (which refers to the reinsurance program and Qualified Resident Enrollment Program).

Actuarial analyses performed on behalf of Maryland and submitted as part of its waiver amendment application project that the amended waiver will result in more individuals having coverage. Due to the reinsurance program specifically, statewide average premiums will be on average 34% lower for individual health insurance coverage in PY 2026 (the first year of the Qualified Resident Enrollment Program) when compared to the without-waiver baseline.

As a result of Maryland's innovative waiver, the state will receive, as pass-through funding, the PTC savings, net of any federal costs attributable to the waiver, realized by the federal government due to the state's reinsurance program lowering premiums for individual health insurance coverage. This pass-through funding will cover a substantial portion of state costs for the reinsurance program. Overall, the program will result in lower consumer costs.

The Departments have determined that Maryland's amended section 1332 waiver plan meets the requirements outlined in section 1332(b)(1) of the ACA. Specifically, the amended section 1332 waiver is projected:

- to provide coverage at least as comprehensive as coverage provided without the waiver;
- to provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as would be provided without the waiver;
- to provide coverage to at least a comparable number of people as would be provided without the waiver; and
- to not increase the federal deficit.

The amendment of Maryland's State Innovation Waiver under section 1332 of the ACA is approved subject to Maryland accepting specific terms and conditions (STCs). This approval is effective beginning upon the state's acceptance of the STCs, through December 31, 2028. These STCs will supersede and replace the June 28, 2023, STCs governing Maryland's currently approved waiver extension.

Summary of Maryland's Application for an Amendment of its State Innovation Waiver under Section 1332 of the ACA

Maryland's application for an amendment of its State Innovation Waiver under section 1332 of the ACA seeks to waive section 1312(f)(3) of the ACA to the extent it would otherwise require excluding certain Maryland state residents from enrolling in QHPs and QDPs through the state's Exchange. This allows qualified residents to enroll on-Exchange through a simplified shopping experience, which includes access to online tools that compare plan costs, providers, and prescription drugs, as well as access to the Call Center, Navigator Program, and authorized brokers. Qualified residents can also enroll in a single health plan with a single deductible along with their currently eligible family members through the same plan shopping and enrollment process. Eligibility for the federal PTC will remain unchanged.

Additionally, the state will continue to waive section 1312(c)(1) of the ACA—the requirement to consider all enrollees in a market to be part of a single risk pool, to the extent that it would otherwise require excluding total expected state reinsurance payments when establishing the market-wide index rate, in order to implement the state reinsurance program through PY 2028. The state's reinsurance program will continue to operate as a traditional, claims-based attachment point reinsurance program by reimbursing qualifying individual market insurers for a percentage of an enrollee's claims costs exceeding a specified threshold (or "attachment point") and up to a specified ceiling (or "reinsurance cap"). Payment parameters are set on an annual basis and have historically been an attachment point of$18,500 to $21,000, a reinsurance cap of $250,000, and a coinsurance rate of 80%. Maryland also includes a dampening factor that has ranged from 0.760 to 0.850. Payment parameters for PY 2026 will be established in 2025.

As a result of the Departments' approval of Maryland's section 1332 waiver amendment application, individual market consumers are expected to continue seeing lower premiums, which should attract new consumers while also retaining current consumers in the individual market. Maryland projects that due to the reinsurance program specifically, statewide average premiums will be about 34% lower in the individual market in PY 2026 than they would be without the waiver. Maryland also projects that the Qualified Resident Enrollment Program will have a negligible impact on overall individual market premiums and that PTC savings from the amended waiver plan will be solely due to the reinsurance program. In addition, Maryland projects that total individual market enrollment will be about 6.5% higher in PY 2026 under the amended waiver than it would be without the waiver. Maryland also projects that individual market enrollment will be less than 1% higher in PY 2026 under the amended waiver compared to a scenario with only the reinsurance program. These projections were certified by independent actuaries and reviewed by the Departments. Overall, the state's amended waiver plan is projected to reduce the number of uninsured, lower costs for some consumers, and improve health equity.

Because the amended waiver plan is expected to continue to lower individual market premiums on the second lowest cost silver plan—the plan used to establish the value of the PTC—the federal government anticipates that it will spend less on PTC under the waiver than it would absent the waiver. As such, Maryland will receive pass-through funding resulting from the state reinsurance program to support its amended waiver plan based on the amount of PTC that would have been provided to Maryland residents absent the waiver but will not be provided under the waiver. This amount will be reduced, if necessary, to ensure deficit neutrality. The state estimates that the reinsurance program specifically will produce net federal savings of $468 million in PY 2026 and $1.5 billion in total from PY 2026 through 2028. At this time, Maryland is not seeking pass-through funding attributable to the Qualified Resident Enrollment Program, and the Departments do not project that this program will increase or decrease individual market premiums. As a result, the Departments do not currently project that the waiver amendment will yield additional federal PTC savings. However, the Departments will continue to assess the waiver amendment's impact on the market during the waiver period.

Section 1332: State Innovation Waivers

Section 1332 of the ACA permits a state to apply for a State Innovation Waiver to pursue innovative strategies for providing residents with access to high-quality, affordable health insurance. These waivers provide states with the opportunity to develop strategies that best suit their individual needs. Through innovative thinking tailored to specific state circumstances, states can lower premiums for consumers, improve market stability, and increase consumer choice.

In order for a section 1332 waiver to be approved, the Departments must determine that the waiver meets statutory guardrails to provide coverage that is at least as comprehensive as the coverage provided without the waiver; provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as without the waiver; provide coverage to at least a comparable number of residents as without the waiver; and not increase the federal deficit.

State Innovation Waivers have been available since January 1, 2017; are approved for up to five-year periods; and can be extended. The Departments welcome the opportunity to work with states on section 1332 waivers. States interested in applying for a section 1332 waiver can find application tools and resources, including an application checklist and application templates, on the CMS website here.

The section 1332 waiver amendment approval letter and STCs for Maryland can be found here.