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Report: Maryland Health Exchange Continues to Fail

Costly Subsidies to Insurers Propping the System Up

ROCKVILLE, MD (April 21, 2022) — The Maryland Public Policy Institute released Thursday a new report outlining the historical and ongoing cost troubles of the Maryland Health Benefits Exchange.

The exchange offers Affordable Care Act-compliant health insurance policies to both individual Marylanders and small businesses in the state.

MPPI's analysis of state Department of Legislative Services Data shows that the cost of merely operating the exchange immediately ballooned to more than \$80 million per year after the exchange opened in 2013, despite the O'Malley administration projecting an annual cost of merely \$30 to \$36 million. As of 2020, the program maintained its lofty cost at \$81 million, down from a staggering high of \$200.5 million in 2015.

As the state has put these sums into the program year after year, consumers have faced a dwindling of choice and increasing premiums while shopping for policies on the exchange.

"One of the reasons for the lack of choice and the high cost of policies is that the exchange was never really a marketplace," MPPI Visiting Fellow and author of the report Marc Kilmer wrote. "To comply with the ACA, the state tightly regulated what products could be sold in the marketplace."

This has caused the insurers using the marketplace to offer "policies that were far more uniform, and also far more expensive, than some consumers desired."

These regulations and the consequent dearth of young, healthy Marylanders using the exchange forced insurers to either leave the exchange or hike premium prices, further harming consumers.

In reaction, the state is transferring much of the unending expense to of exchange-based insurance policies onto taxpayers by subsidizing the insurance companies through a tax hike to fund a re-insurance program, enacted in 2018. At the time, Delegate Joseline Peña-Melnyk



who sponsored the bill admitted that this subsidy was essential to the exchange's existence.

"Can you imagine if we don't have the money and that market collapses?" she noted.

The re-insurance program incurred a total cost to taxpayers of \$1.1 billion through 2021, according to the report.

"Since MHBE had its bungled, the primary consequence of its existence has been ever-increasing costs to both insurance consumers and to taxpayers," Kilmer concluded. "The failure of the health insurance exchange to live up to its promise is a clear sign that the Affordable Care Act is not working in Maryland."

To read the full report, please visit: <https://www.mdpolicy.org/research/detail/the-maryland-health-benefits-exchange-failed-implementation-and-high-costs>

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