

### **Background and Historical Small Group Coverage**

Senate Bill 6 (SB 6), the Working Families and Small Business Health Coverage Act, (effective July 1, 2008), created the Health Insurance Partnership, which assisted small businesses in purchasing health insurance for their employees. The Partnership provided subsidies to small, low-to-moderate wage firms with fewer than ten employees. The Maryland Health Care Commission (MHCC) administered the Partnership in conjunction with the major carriers in Maryland: Aetna/Coventry, CareFirst BlueCross BlueShield, and UnitedHealthcare. The availability of a Small Business Health Options Program established through the Affordable Care Act with federal tax credits for qualifying small employers resulted in the phase-out of the Partnership. MHCC continued to pay state premium subsidies to employers that participate in the program through May 2015, with the last employer transitioned to the SHOP Exchange for coverage effective June 1, 2015.

Health Insurance Partnership enrollment by year steadily grew until the program stopped accepting new applicants. The chart below shows annual membership. The average group size of the firms enrolled in the Partnership was 4.3 full-time employees.

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Number of Participating Employers	79	221	315	370	425	423	70
Number of Participating Employees	246	646	892	1066	1171	1171	184
Number of Covered Individuals	404	1050	1468	1805	1932	1932	318

### **The Affordable Care Act and the Small Business Health Options Program (SHOP)**

The Federal Affordable Care Act (ACA) established standards for an insurance marketplace for small businesses. Specific regulations are detailed in the Code of Federal Regulations under:

Title 45: Public Welfare

Part 155 - Exchange Establishment Standards

Subpart H - Exchange Functions: Small Business Health Options Program

The State of Maryland further defined regulations regarding the establishment of a SHOP in Maryland.

- The Maryland Health Benefit Exchange Act of 2012 (HB 443/SB238) established a distinct Small Business Health Options Program (SHOP); limited enrollment to employers with less than 50 employees increasing to 100 employees in 2016 (§ 31-101 (z)(1) (ii)); and allowed for employee choice as defined by the ACA as well as the existing market model of employer choice.

- The Maryland Health Progress Act of 2013 (HB 228/ SB 274) further defined SHOP rules for employer premium contributions, and more recent legislation delayed expansion of the small group market beyond 50 employees.

The ACA provides qualifying small businesses with two benefits only available through the SHOP marketplace.

1. A small business health insurance tax credit of up to 50% of the premium paid by the employer beginning with the 2014 tax year, and applies to group plans purchased through the Small Business Health Options Programs (SHOP). The tax credit is available to eligible employers for two consecutive taxable years.

To qualify for the tax credit, all of the following must apply:

- The employer has fewer than 25 full-time equivalent (FTE) employees
  - The average employee salary is about \$50,000 per year or less
  - The employer pays at least 50% of its full-time employees' premium costs
  - Coverage is offered to full-time employees through the SHOP Marketplace
2. The ability to offer employees more than one health plan choice. Through the “Employee Choice” model available only through the SHOP marketplace, a small employer can select a plan category (like Bronze or Silver) and allow employees the option to choose any plan from any insurance company in that category. The traditional “Employer Choice” model has allowed employers to select a health plan from one carrier to offer employees.

### **2014 Maryland SHOP Marketplace**

For the 2014 plan year, Maryland received federal authorization to operate its SHOP Marketplace through a direct enrollment process with SHOP carriers. Through the direct enrollment process small employers utilized the services of a SHOP authorized broker for assistance in purchasing a SHOP certified plan from a SHOP authorized carrier. Only the Employer Choice model was available for small employers in 2014. SHOP eligibility determinations, including qualification for the federal tax credit, were completed by the Maryland Health Connection.

The following thirteen licensed entities offered products in the 2014 SHOP program:

- Aetna Health Inc.
- Aetna Life Insurance Co.
- CareFirst BlueChoice Inc.
- CareFirst of Maryland Inc.
- Coventry Health and Life Insurance Co.
- Coventry Health Care of Delaware Inc.
- Evergreen Health Cooperative Inc.
- Group Hospitalization and Medical Services Inc. (a CareFirst company)
- Kaiser Foundation Health Plan of the Mid-Atlantic States Inc.
- MAMSI Life and Health Insurance Co. (a UnitedHealthcare company)

- Optimum Choice Inc. (a UnitedHealthcare company)
- UnitedHealthcare Insurance Co.
- UnitedHealthcare of the Mid-Atlantic Inc.

Maryland opened its SHOP Marketplace on April 1, 2014 for plans with effective dates commencing June 1, 2014. The Employee Choice model was not available for small employers in 2014. Marketing efforts for the Maryland SHOP program were limited. The SHOP Marketplace relied on brokers and carriers to direct employers to the SHOP program to avail themselves of the tax credit offered only through the SHOP Marketplace. A total of 45 employers purchased SHOP certified plans through the SHOP Marketplace in 2014. The average number of participating employees enrolled in a SHOP plan was 4.4 full-time equivalent employees.

2014 SHOP Enrollment as of December 31, 2014 by carrier (combined licensed entities)

	Aetna	CareFirst	Coventry	Evergreen	Kaiser	UnitedHealthcare	Total
Number of Participating Employers	0	9	10	8	4	14	45
Number of Participating Employees	0	21	53	29	12	81	196
Number of Covered Individuals	0	32	63	43	12	107	257

### **2015 Maryland SHOP Marketplace**

Thirteen companies again filed to sell health plans in the small group market in 2015 with both On-Exchange and Off-Exchange plans. Competition and two decades of reforms in the State's small group market helped to keep rate changes modest. (Maryland Insurance Administration). Maryland law requires rates for plans sold on and off the Exchange be the same.

Maryland Insurance Administration Plan Approved Licensed Entity	% overall rate increase from 2014
Aetna Health Inc.	+0.5%;
Aetna Life Insurance Co.	+0.5%
CareFirst BlueChoice Inc.	+5.8%
CareFirst of Maryland Inc.	+4.7%
Coventry Health and Life Insurance Co.	+10.9%
Coventry Health Care of Delaware Inc.	+8.5%
Evergreen Health Cooperative Inc.	0.0%
Group Hospitalization and Medical Services Inc. (a CareFirst company)	+4.7%
Kaiser Foundation Health Plan of the Mid-Atlantic States Inc.	+7.8%
MAMSI Life and Health Insurance Co. (a UnitedHealthcare company)	-2.6%
Optimum Choice Inc. (a UnitedHealthcare company)	-2.6%
UnitedHealthcare Insurance Co.	-2.6%

UnitedHealthcare of the Mid-Atlantic Inc.	-2.6%
---	-------

Maryland introduced the Employee Choice model to SHOP Marketplace on January 1, 2015 for plans with effective dates commencing March 1, 2015. Maryland continued to operate the Employer choice model through a direct enrollment process with SHOP carriers. The MHBE also contracted with three Third Party Administrators to provide SHOP administration services and use of their existing systems for the purchase of SHOP plans. Year two enrollments of the SHOP program have surpassed year two enrollments of the Maryland Health Insurance Partnership and grew significantly from year one SHOP enrollments.

2015 SHOP Enrollment as of December 31, 2015 by carrier (combined licensed entities)

	Aetna	CareFirst	Coventry	Evergreen	Kaiser	UnitedHealthcare	Total
Number of Participating Employers	1	34	13	28	28	36	122
Number of Participating Employees	1	158	51	153	139	273	785
Number of Covered Individuals	1	273	76	183	234	381	1148

### **2016 Maryland SHOP Marketplace**

Eleven companies filed to sell health plans in the small group market in 2016 with both On-Exchange and Off-Exchange plans. Coventry exited the small group market.

Maryland Insurance Administration Plan Approved Licensed Entity	% overall rate increase from 2015
Aetna Health Inc.	+5.3%
Aetna Life Insurance Co.	+7.5%
CareFirst BlueChoice Inc.	-3.2%
CareFirst of Maryland Inc.	-16.9%
Evergreen Health Cooperative Inc.	+8.9%
Group Hospitalization and Medical Services Inc. (a CareFirst company)	-16.9%
Kaiser Foundation Health Plan of the Mid-Atlantic States Inc.	+5.5%
MAMSI Life and Health Insurance Co. (a UnitedHealthcare company)	+1.7%
Optimum Choice Inc. (a UnitedHealthcare company)	-2.9%
UnitedHealthcare Insurance Co.	+1.7%
UnitedHealthcare of the Mid-Atlantic Inc.	+1.7%

The MHBE has continued the CMS-approved direct enrollment process for Employer choice group. Effective January 1, 2015 and continuing through the end of the current contract (June

30, 2016), the SHOP Administrator contract was modified to allow an additional compensation of \$15 per employee per month for Employee choice groups to account for administrative services required under the Employee choice model.

### Opportunities for Growth in Maryland’s SHOP

According to a 2015 SBA report ([https://www.sba.gov/sites/default/files/advocacy/MD\\_1.pdf](https://www.sba.gov/sites/default/files/advocacy/MD_1.pdf)), in 2012 there were 104,603 small businesses in Maryland with employees and 1,091,456 workers employed by these small businesses. Eighteen percent had 1-19 employees. In 2015, 87% of SHOP applicants had fewer than 10 employees. The average employee size was 6.4.

2014 Medical Expenditure Panel Survey-Insurance Component data from the Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends indicates that only 31% of private sector firms with less than 10 employees offer health insurance whereas 62.7% of employers with 10-24 employees offer health insurance.

Table II. State of Maryland, private-sector data by firm size, 2014

Table No.	Table Description	Total	Less than 10 employees	10-24 employees	25-99 employees	100-999 employees	1000 or more employees	Less than 50 employees	50 or more employees
II.A.1	Number of establishments	126,338	70,799	15,026	12,268	7,502	20,743	92,337	34,001
II.A.1.a	Percent of number of establishments	126,338	56.0%	11.9%	9.7%	5.9%	16.4%	73.1%	26.9%
II.A.2	Percent of establishments that offer health insurance	55.0%	31.0%	62.7%	83.0%	94.8%	100.0%	39.8%	96.1%

Based on these two reports, there remains significant opportunity to provide health insurance through the SHOP program to benefit Maryland small businesses. Significant strides were made in 2015 to increase enrollment in the SHOP program, yet there are more small employers to reach.

	2014	2015	Increase
Number of Participating Employers	45	122	171%
Number of Participating Employees	196	785	300%
Number of Covered Individuals	257	1148	347%

### 2016 SHOP Priorities

1. Publish Request for Proposal (RFP) for SHOP Administrator services for contract period commencing July 1, 2016. Although the current SHOP Administrator contract allows for an extension, the MHBE wishes to modify the terms of payment which can only be achieved through a new RFP.
2. Target small businesses with less than 10 employees to provide education and assistance with securing health coverage and potential tax credits.

3. Work with the Maryland Insurance Administration, CMS and small business advocates to identify ways to make the SHOP more meaningful and a better option for small employers.