

# Options for the Maryland SHOP Marketplace

September 17, 2018



## **I. Potential in the SHOP Marketplace**

### **I. Background and Process**

### **I. Options for the Maryland SHOP Marketplace**

1. Amend Statute No SHOP Marketplace
2. Direct Enrollment
3. State Partnership with Other SHOP Marketplaces
4. Build SHOP Platform with Existing Resources

## **IV. Staff Recommendation**

## Background

- In June 2018, MHBE requested the Hilltop Institute to estimate the following:

- The total number of employers in the state who are eligible to receive the tax credit
  - The total number of employees who could benefit from the program
  - The potential federal premium tax credit pass-through amount available in Maryland

## Analysis

- The Hilltop Institute used a dataset of small businesses in Maryland obtained from the Maryland Department of Labor, Licensing, and Regulation (DLLR). The dataset contained North American Industry Classification System (NAICS) category information for each small business.
- The Hilltop Institute estimated average annual wages for each small business using income data from the American Community Survey for each NAICS category.
- Average 2017 small group premium data was provided by the MIA.

## Results

- Table 1 summarizes the results of the analysis.

**Table 1. Lower Bound Estimates of Minimum Potential SHOP Pass-Through**

Income Range	Number of Firms	Firm Size	Base Premium	Reduction Factor	Premium Credit	Number of Employees
\$0 - \$26,000	8,403	1	\$16,285,014	\$0	\$16,285,014	8,403
\$26,000 - \$53,000	2,815	1	\$5,455,470	*exceeds base premium	\$0	2,815
\$26,000 - \$53,000	74,360	1	\$144,109,680	\$82,058,602	\$62,051,078	74,360
\$0 - \$26,000	2,737	11	\$58,347,366	\$3,889,824	\$54,457,542	30,107
\$26,000 - \$53,000	1,253	11	26,711,454	* exceeds base premium	\$0	13,783
\$26,000 - \$53,000	9,528	11	203,117,904	119,189,259.29	\$83,928,645	104,808
<b>Total</b>	<b>99,096</b>		<b>\$454,026,888</b>		<b>\$216,722,278</b>	<b>234,276</b>

<sup>11</sup> \*Depending on the average wage and number of employees, the reduction factor may exceed the premium, and the tax credit is thus set to zero.

## Summary

- Analysis estimates that 95,028 small businesses in Maryland could be eligible for the Small Business Health Care Tax Credit (SBHCTC)
- Analysis estimates that 217,678 employees could benefit from the program.
- Analysis estimates that the value of the SBHCTC for these small businesses is \$216,722,278.

## Considerations

- The analysis identifies small businesses that are eligible to receive the tax credit, these small businesses may already offer coverage to their employees, have employees enrolled in the individual market, have another source of coverage, or are uninsured.

## Background

- April 20, 2018 Session – MHBE Staff informed the Board that permanent SHOP solutions would be presented to the Board before September 30, 2018.
- As of July 31, 2018, Maryland SHOP has enrolled 799 covered lives.
- Interim Direct Enrollment groups effectuate October 1, 2018.

## Process

- From April to September, MHBE Staff has engaged with many stakeholders including carriers, producers, consumer advocates, and other State-Based Marketplaces to gather insight on the options offered for a permanent SHOP solution.

# 1. Amend Statute – No SHOP Marketplace

<b>Option:</b>	Modify statute to remove SHOP Exchange from Establishment Statute
<b>Insight:</b>	MHBE outreached to the CCIIO SHOP for insight on this option. In response CCIIO SHOP stated that, under statute, a State-based Marketplace must operate <i>both</i> an Individual and SHOP Marketplace. Further it was noted that the FFE platform is for the FFE or SBM-FP (federal partnership) states.

## 2. Direct Enrollment

<b>Option:</b>	Continuation of the Interim Direct Enrollment Process.
<b>Description:</b>	Employer groups enroll directly in SHOP QHPs with participating SHOP issuers. Manual eligibility and administration. Enrollment is not performed through an electronic interface. Enrollment data passed through to MHBE via issuer reports.
<b>Stakeholder Analysis:</b>	<p>Certain participating carriers do not view the Direct Enrollment process as the ideal permanent solution for the Maryland SHOP. These carriers note the operational limitations of a manual process within their established workflows increases administrative cost. Also the Direct Enrollment process does not leverage the existing information technology infrastructure carriers have built to administer groups in a cost efficient way.</p> <p>Another carrier supports the Direct Enrollment process as a low cost option noting the potential for alignment federal and state processes.</p> <p>A producer advocacy groups notes the Direct Enrollment does a disservice to employers looking to offer the Employee Choice model – an identified growth area for new business.</p>



### **Model Impact:**

**PREMIUM AGGREGATION SERVICES** – an Employer would have to implement their plan, administer enrollments and pay separate premium invoices with each chosen insurance carrier.

**ADMINISTRATIVE BURDEN** – Without an integrated service model administrative burden increases on carriers, employers, brokers, and employees.

**DECREASES ACCESS TO TAX CREDITS** – Without an integrated service model administrative burden prevents employers from estimating their potential savings via tax credits efficiently, reducing the incentive to offer coverage.

**EMPLOYEE CHOICE EFFECTIVELY ELIMINATED** – The Direct Enrollment process

### 3. State Partnership with Other SHOP Marketplaces

<b>Option:</b>	State Partnership with Other SHOP Marketplaces
<b>Description:</b>	<p>Leverage the information technology from another state to create efficiencies and consistency in program delivery models. Precedent: in 2017 Massachusetts established an MOA with the Washington, D.C. HBX.</p> <p>Source code is open and publicly available. The agreement between Massachusetts and DCHBX is modularized for each work function. A similar agreement could be leveraged to modulate cost and value add of the DCHBX technology.</p> <p>MHBE would only leverage the eligibility and enrollment applications from DCHBX. Consumer assistance functions, employer outreach, plan management, and producer engagement would reside with MHBE.</p> <p>MHBE IT Staff determined DCHBX code is incompatible with the MDHBX and may not be directly imported.</p>
<b>Stakeholder Analysis:</b>	<p>While all carriers currently participating in the Maryland SHOP also interface with the DC SHOP, a carrier notes that there are operational challenges that exist with the DC SHOP that should be avoided if Maryland were to adopt this option.</p>

### 3. State Partnership with Other SHOP Marketplaces

#### Model Impact:

**EMPLOYER & EMPLOYEE CHOICE IMPLEMENTATION** – Allows the Maryland SHOP to fully implement Employer and Employee Choice. Employee Choice has been noted as the process with the DC SHOP creates challenges for certain carriers.

**LIMITED FLEXIBILITY WITH CUSTOMIZATION** – Leveraging existing technology limits near-term flexibility for Maryland-specific customization and does not leverage Maryland's existing robust development model.

**INCREASED COST TO THE STATE** – Mass. and DC SHOP arrangement cost: \$4,300,000 implementation & \$2,100,000 for ongoing technology and business operations maintenance. Cost is inclusive of customer service support resources.

**LEVERAGES TESTED TECHNOLOGY** – DC SHOP's award-winning platform meets all the requirements for a SHOP Exchange, including online tools, employee choice, and back-end systems support. Largest SHOP enrollment in the nation with over 3,600 groups and 60,000 employees.

### 3. State Partnership with Other SHOP Marketplaces

#### **Model Impact (cont'd):**

**SHARED COSTS** – Allows participating SBMs to reduce costs through shared vendor contracting infrastructure.

**INCREASES ACCESS TO TAX CREDITS** – An integrated service model allows employers to estimate their potential savings via tax credits more efficiently, and increases the incentive to offer coverage.

## 4. Build SHOP Platform with Existing Resources

<p><b>Option:</b></p>	<p>Build a Maryland SHOP Platform.</p>
<p><b>Description:</b></p>	<p>MHBE builds a SHOP platform under existing development vehicles (IT IDIQ) with existing SHOP program funding. If adopted, SHOP-specific business functions would be added as requirements to future contracts for customer support services.</p>
<p><b>Stakeholder Analysis:</b></p>	<p>Certain carriers support a fully operational Maryland SHOP platform noting the advantages of a fully implemented employee choice model, composite rating, and reduced administrative burden to employers.</p> <p>A carrier does not support the development of a Maryland SHOP platform noting the existing process established by the FF-SHOP.</p> <p>A producer advocacy group supports a fully operational Maryland SHOP platform noting employee choice as a growth opportunity for future business and a value-add to doing business in Maryland.</p>

## 4. Build SHOP Platform with Existing Resources

### Model Impact:

**EMPLOYER & EMPLOYEE CHOICE IMPLEMENTATION** – Allows the Maryland SHOP to fully implement Employer and Employee Choice

**ENHANCED FLEXIBILITY WITH CUSTOMIZATION** – Utilization of internal development resources would allow MHBE to build a customized solution that meets Maryland's specific small group requirements.

**COST OF IMPLEMENTATION WITHIN EXISTING ALLOCATION** – MHBE IT estimated implementation cost of a SHOP platform is \$650,000 and \$250,000 for ongoing technology maintenance.

**LEVERAGES EXISTING DEVELOPMENT PROCESS** – A core MHBE competency and institutional strength as a SBM is the IDIQ development model.

## 4. Build SHOP Platform with Existing Resources

### Model Impact (cont'd):

#### **LEVERAGES EXISTING COMPLIANCE AND SECURITY**

**INFRASTRUCTURE** – MHBE has developed a robust compliance and security infrastructure that can be leveraged for this platform.

**MAXIMIZES POLICY READINESS** – A SHOP platform allows MHBE to react to any potential legislative action on market stability involving the small group market.

**PARITY WITH LEVEL OF SERVICE PROVIDED TO THE INDIVIDUAL MARKET** – A SHOP platform would offer the same level of service to Maryland small business owners as MHBE provides to individuals and families.

**INCREASES ACCESS TO TAX CREDITS** – An integrated service model allows employers to estimate their potential savings via tax credits more efficiently, and increases the incentive to offer coverage.

## Discussion



## **Staff Recommendation:**

MHBE Staff recommends Option 4 Build a Maryland SHOP platform as the permanent solution for the SHOP.