MHBE SHOP Advisory Committee

September 13, 2019
10 a.m. – 12 p.m.
Location: MDOT TSO – Harry Hughes Conference Room 3, 7201 Corporate Center Drive, Hanover, MD 21076

Members Present:

- David Brock, Aetna
- Cathy Grayson, CareFirst
- Tyler Hoblitzell, Maryland Insurance Administration
- Nabila Rahman, CareFirst
- Sheebani Patel, KP
- John Fleig, UHC
- Linda Starr, Pasternak & Fidis

Others Present:

- Stephanie Klapper, Maryland Citizens' Health Initiative
- Connie Peterson, Aetna
- Cynthia Hipwell, Aetna
- Julie Sinclair, Aetna
- Missy Davis, Aetna
- Alexis Hippe, CareFirst
- Paula Cooper, UHC

MHBE Staff:

- John-Pierre Cardenas
- Taylor Kasky
- Becky Sullivan

Welcome and introductions:

John-Pierre Cardenas opened the meeting by informing the group that the platform workgroup meeting scheduled from 12:30pm to 2:30pm would be cancelled for the day and will resume meeting on the next SHAC meeting day of Friday, September 27th. John-Pierre brought up the last meeting's topic of the Maryland Health Insurance Partnership program, its components and wanted to build from that discussion to design a new subsidy program as authorized by HB1098. JP provided an update that the actuarial firm, Lewis and Ellis, will be doing some modeling for the SHOP program shortly. He requested that members to provide feedback on specific areas for the actuaries to focus on.

Agenda:

SHAC Agenda 9-13-2019
• Introductions • Prior SHAC Discussions • SHOP Subsidy Considerations • SHOP 1332 Waiver Tax Implications • Coverage Models • Contribution Models • Preferred Broker Program • Questions and Public Comment

SHOP Subsidy Considerations

John-Pierre discussed how Maryland should define the targeted population that the new subsidy program would attempt to assist, and requested feedback from the group. Previously, the prior MHIP program did not offer assistance to employers who had offered coverage in the prior 12 months. This eligibility requirement targeted uninsured employers in Maryland. JP asked the committee members if this requirement would entice new business to enroll with SHOP.

Maryland could frame the program eligibility requirements in other ways to target the desired population – such as group size, average annual wages or employer profit margin.

The subsidy or tax credit development should have a goal to offer better assistance than the current federal program to improve enrollment and aid Maryland Small Businesses. Any eligibility requirements discussed are not set in stone as of yet – Maryland Health Benefit Exchange and the committee should consider each component alone or as a combination of requirements to provide assistance to the largest population possible without an unmanageable administrative burden.

Group Size

Another eligibility requirement consideration is offering the subsidy or tax credit to groups of a certain size such as less than 10 employees. This population has a 39% rate of providing employer sponsored health coverage. The smaller the group – the less likely group coverage is offered. If our focus is targeting uninsured populations – considering group size could be a method to improve those statistics.

The current Federal eligibility definition causes any available tax credit to taper down with groups between the size of 10 and 25 employees and with higher average annual wages (less than $50,000). John-Pierre confirmed that those employers with 10 or less employees and lower average annual wages may be eligible for all or part of the available tax credit. As such, this is why Maryland is discussing the merits of limiting group size to 10 with the new subsidy program.

Many groups in Maryland that could have more than 10 employees but offer lower average annual wages. If we limit the group size, we may miss out on groups that may benefit from assistance and whom may not offer coverage without that assistance.

Average Annual Wages

Making average annual wage an eligibility consideration is an important factor to consider. The higher the average annual wage, the more likely the employer can afford to offer group coverage. However, if MHBE would set an average annual wage requirement, this may suppress the wages offered to employees in order to maintain tax subsidy eligibility.

John-Pierre asked the committee if we should keep the maximum average annual wages at $53,000 (subject to inflation) like the federal program, or not set a maximum amount and adjust the subsidy accordingly, as the average annual wage increases as previously offered in the prior MHIP subsidy.

David Brock of Aetna asked if Maryland wanted to mimic the federal requirements for average annual wages or work toward a more simple structure for administration. John-Pierre indicated that it is important to formulate a structure to facilitate the ease of administration and to boost enrollment.

John-Pierre asked the committee members if the amount of employer contributions should be a factor with the amount of subsidy received by the employer. Currently, the required employer contributions is set at 50% by the IRS. As a result, employers are only receiving up to 25% of what they contribute toward employee premiums.

Another question posed to the committee was: do we want to treat the amount of subsidy or tax credit differently for profit and nonprofit organizations? In the current tax credit, profit organizations can receive up to 50% tax credit and nonprofits can receive up to 35%.

Lower employer profit margin

Making the employer profit margin an eligibility factor may help facilitate employer sponsored coverage because those with low profit margins may not be able to offer coverage. Average wage and/or low employer profit margin could be used as proxies for each other.

Low employer profit margin is not currently being used in any subsidy programs as an eligibility requirement. It is a similar thought process to how the individual market works – by offering additional assistance based upon income. However, in this case, it is the employer's income rather than an individual's income.

This method may result in a higher administrative burden but would improve accuracy of obtaining our target audience – those groups who need assistance regardless of group size. The administrative burden may be lessened by utilizing available data sources to validate employer profit margins (such as we do with the Hub with the individual marketplace).

Pairing the subsidy with participation in specific health plan program requirements

Massachusetts offers discounts to employers who enroll in wellness programs. They define eligibility very broadly – it is not just health programs but also programs such as financial literacy. John-Pierre asked the committee members to provide thoughts on this concept. He offered that if the committee would like to further explore this topic – he could arrange a call with Massachusetts.

Structure of Subsidy Payments

John-Pierre indicated that the Exchange would remit to the participating insurance carriers the amount of the subsidy the group is eligible minus any employer or employee contributions. The burden would be on the exchange to make the carriers whole with premiums due with some reconciliation between the parties.

The structure of the subsidy provided could be a flat dollar amount or a scaled (or variable) amount based upon the reference plan and employer contributions.

A flat dollar amount would be a specific flat dollar amount based upon the eligibility requirements provided to each employer. The benefit of this approach is that it would allow easier budgeting for the State than a more variable amount. The detriment would be that employers and employees would be more likely to choose less rich plans to obtain the most subsidy assistance toward benefits provided and received.

A scaled or variable amount would be determined after the employer chooses the reference plan and sets contribution amounts with some eligibility requirements and limitations. The benefit to this approach is that it would provide more flexibility with what plans an employer may offer. However, its drawback would be that it may cause employers with an older or sicker employee census to offer richer plans as their reference plan. This would require Maryland to pay additional subsidies as a result.

Subsidy Based upon Employee or Family Premiums

John-Pierre asked the committee whether Maryland should consider basing the subsidy on the cost of employee only premiums or should we consider other levels such as family premiums?

Comments from committee members include the following:

Topic	Member Comments & Answers Provided
Federal SHOP Definitions	• David Brock of Aetna asked if Maryland would need to maintain the federal definition of SHOP tax credit eligibility. John-Pierre Cardenas said that the SHOP 1332 Waiver and any pass-through of federal funds would allow us to define our own eligibility requirements.
Impact on Increasing Group Size on the number of eligible groups assisted	• Cathy Grayson of CareFirst asked if the group size requirement would be broadened to groups with more than 10 employees would have a negative impact on the total number of groups provided with financial assistance. John-Pierre Cardenas indicated that this may happen and it is a trade-off that Maryland and the SHAC should consider when defining eligibility requirements.
Pool of Available Funds for Program	• Cathy Grayson of CareFirst asked what funds Maryland may be working with for the first program year. John-Pierre stated that Hilltop's study indicated that it was approximately 15 million.
Average Annual Wages under MHIP	• John-Pierre confirmed that the MHIP subsidy also was subject to adjustment based upon the amount of average annual wages.
Administrative Burden Concerns	• Both Aetna and CareFirst committee members indicated that adding complexity in the requirements such as low employer profit margin may result in greater administrative burden to the State which may limit the population that the program will reach. Aetna also indicated that too much complexity may dissuade employers and their representatives from enrolling in SHOP. It should be a consideration with any final decisions. • Cynthia from Aetna believes a flat dollar subsidy amount may be less complicated for employers to understand than a variable amount.
Wellness Program Requirements	• David Brock of Aetna asked: If Maryland plans to tie wellness program participation to additional discounts – would it require carriers to create a wellness plan in addition to what is already offered by the carriers? This would be an administrative burden to the carriers, especially as their current wellness programs are robust and sufficient. UnitedHealthcare and Kaiser Permanente also believes it would be administratively burdensome if new wellness plans are required as a result. Cathy Grayson of CareFirst indicated that she'd take this back

	to the team for discussion.
Method of Subsidy or Tax Credit Budgeting	• Tyler Hoblitzell of MIA commented that it would be difficult for Maryland Health Benefit Exchange to account for a more variable plan in advance, especially not knowing what plans may be enrolled in once the subsidy is available.
Impact on Suppressing Employee Wages	• Tyler Hoblitzell of MIA commented that he doesn't think the amount of subsidy received is so large that it could suppress employee annual wages. He asked if any studies or research has been done. Research was done with large groups on how rising health costs can effect wages.
Impact of Limiting Group Size with Subsidy	• John-Pierre stated that group size may also inhibit employers from hiring employees due to possible loss of subsidy. David Brock of Aetna asked if the group size would be based upon eligible employees enrolling into coverage or the number of employees that the employer has. John-Pierre stated we could structure the subsidy in a way that would work best. We could base the eligibility requirement on who is actually enrolling or we could allow groups to receive subsidies up to 10 employees and not receive any additional subsides when or if they go over 10 employees.

SHOP 1332 Waiver Tax Implications

Under the proposed 1332 Wavier for SHOP, Maryland would be waiving the existing federal tax credit, and implementing a state distributed subsidy/tax credit. This could have potential implications on tax liability. Under a state administered program, the issuers may be liable for income taxation.

The difference between a tax credit and a subsidy: a tax credit reduces the amount of tax liability an employer has, whereas a subsidy provides direct assistance to the cost of coverage. A subsidy would be paid to the issuer. If structured as a tax credit, it is not a taxable benefit. If it is structured as a subsidy, it is taxable.

MHBE is working through these tax implications contacts and will follow up with the committee with additional information.

SHOP Coverage Models

MHBE has the authority to reassess and modify choice options to promote accessibility, choice affordability and sustainability. MHBE can do any changes to coverage models through regulations and does not need to be a part of the SHOP 1332 Waiver.

It is Maryland's goal to be creative on how we offer employers and employees choices with enrollment. One idea is a **universal coverage choice model.** This would offer the ability for the employer to offer any of the plans from all participating SHOP carriers by designating one reference plan to calculate costs. Employees would be able to enroll in any available plan in the SHOP market but only receive financial assistance based upon the reference plan chosen by the employer. Minimum participation requirements would have to be strictly enforced to prevent adverse selection. Sicker employers may lean toward the plans with less out of pocket costs. As a result, risk adjustment already structured within small group plans would help offset.

John-Pierre Cardenas asked committee members to respond to the following questions:

- What are the pros and cons of providing this option?
- How can we set the policy on the reference plan to promote certain market outcomes?

    - For example, requiring the reference plan to be the second lowest cost silver plan as in the individual market?
- Would this option increase carrier incentives for competition to develop lower premium plans with higher value to employers?
- Could we set the employer contribution amount to an average premium amount within a given metal level?

John-Pierre Cardenas believes the universal choice model would provide the same benefits that the new HRA rules were meant to accomplish but keep the risk within the small group market. It could also open up more choices for small employers regardless of eligibility for the tax credit.

Comments from committee members include the following:

Topic	Member Comments & Answers Provided
Reference Plan Selection	• David Brock of Aetna asked if the reference plan would be a specific plan or metal level. MHBE stated it would be a specific plan chosen by the employer. It is possible that we could designate the second lowest silver plan as the reference plan. MHBE confirmed that the subsidy or tax credit would be based upon the reference plan chosen. • Tyler Hoblitzell of MIA asked what reference plan method would simplify the administration for the Exchange. John-Pierre Cardenas indicated that chosen a reference plan based upon certain requirements would be the easiest for the Exchange.
Difference between Universal Choice and Employee Choice	• It was asked what the main difference between Universal Choice and the current Employee Choice model. The difference is Employee Choice is limited to offering up to two consecutive metal levels where Universal Choice is all plans.

SHOP Contribution Models

JP discussed methods by which employers can choose to pay toward employee health benefits. The three methods discussed are as follows:

Percent contribution with a reference plan

An example of this method would be 50% contribution based upon the second lowest cost silver plan. It would allow employers to establish stable expectations of costs as their contribution is based on one plan. Older employees would have to pay more for coverage than younger employees. However due to the uniform percentage of employer contribution, this method would meet non-discrimination rules.

Fixed contribution with a reference plan

An example of this method would be paying a fixed dollar amount toward each employee such as $200 an employee. It does allow the employer to set stable cost expectations but may not meet non-discrimination rules as older employers would have to pay more proportionally for coverage without any additional contribution from employers. It would drive older employees to pick less rich plans that may not cover their health needs. Younger employees may go to richer plans or pick a plan that would not require any employee contribution.

Due to the non-discrimination rules, MHBE does not feel that this is a good method to use for employer contributions.

List Bill with Age-Stratified Contribution

Employers select a reference plan and set the employee contribution amount for the same amount off of the premiums of that reference plan. If an employee chooses the reference plan, the employees would pay the same amount regardless of their age. This would mean that the employer's costs are more variable across the plan year and may result in more employer expense. However, this would meet non-discrimination rules.

The meeting presentation provided examples on how the employer computed composite (or aggregated) premiums could be calculated.

In all three methods above, the employees can choose to enroll in another plan beyond the employer chosen reference plan but would have to pay the difference in list bill cost.

SHOP Preferred Broker Program

John-Pierre Cardenas presented the idea of developing a SHOP Preferred Broker Program in Maryland. He asked the committee what the key factors that we should consider.

Benefits of this program for brokers would include designation on the MHC Website as a preferred broker as well as provision of SHOP leads/warm transfers. Becky Sullivan also discussed some ideas on how MHBE would set the SHOP Preferred Broker Program similar to the current BAT phone program in the individual marketplace.

This program would require an annual application process as well as require preferred brokers to remain authorized and up to date on required training.

The committee discussed what the application process would look like and what participation requirements should be considered when choosing the preferred brokers.

Committee members were asked to provide opinions on what benefits this program should offer to brokers, the requirements for participation and requiring reporting for the participants.

Comments from committee members include the following:

Topic	Member Comments & Answers Provided
Preferred Broker Application Requirements	• David Brock of Aetna indicated that he thinks we should not limit it to just State of Maryland producers but may want to consider opening it up, especially considering surrounding states.
Finalizing Program Elements	• CareFirst asked suggested that MHBE consult with brokers to get their input on how this program should be developed.

Open Discussion:

Aetna confirmed with MHBE that there is no intent to send ghost group files for employee choice groups without enrollment at the carrier.

Stephanie Klapper of Maryland Citizen Health Initiative discussed the memo entitled "Expanding Health Coverage for Small Businesses in Maryland". This memo was provided to the group on September 13th via email.

Adjournment: The SHAC meeting was adjourned by John-Pierre Cardenas. Committee members were asked to provide formal comments by September 27th meeting. Comments can be made during the committee meeting as well. Please review the attached action items list