



## MHBE

# Small Business and Nonprofit Health Insurance Subsidy Workgroup Session 1

July 12, 2022

1:00PM – 3:00PM

Via Google Meets

### **Members Present:**

Jon Frank, Co-Chair  
Rick Weldon, Co-Chair  
Glenn Arrington  
Neil Bergsman  
Bruce Fulton  
Neal Karkhanis  
Mark Kleinschmidt  
Lane Levine  
Trina Palmore  
Amber Hyde  
Bob Morrow  
Dana Davenport  
Jason Kowalski  
Sandy Walters  
Stephanie Klapper

Henry Nwokoma  
David Brock  
Jamal Lee  
Allison Mangiaracino  
Deborah Rivkin

### **Staff:**

Becca Lane  
Johanna Fabian-Marks

### **Members of the Public:**

Matthew Celentano  
Philemon Kendzierski  
Connie Peterson  
Carol Long  
Donna

### **Welcome and Introductions**

Johanna Fabian-Marks thanked group members for taking the time to be part of the Workgroup. She asked members to notify her and Becca Lane if they would not be able to attend future sessions so that Ms. Fabian-Marks and Ms. Lane can keep track of attendance. She prompted members to introduce themselves and explain affiliations with any organizations as well as why they decided to join the Workgroup. She also noted that a form allowing members to vote on co-chairs for the Workgroup will be sent out after the meeting.

Members introduced themselves. Jon Frank, Amber Hyde, Trina Palmore, and Rick Weldon noted that they are interested in being candidates for co-chairs of the Workgroup.

### **Workgroup Objectives**

Ms. Fabian-Marks went over the objectives of the Workgroup. Senate Bill (SB) 632 directed MHBE to establish the Workgroup, which would study and make

recommendations relating to the establishment of a program to provide subsidies to small businesses and nonprofit employers and their employees for the purchase of health benefit plans before reporting back to the Governor, the Senate Finance Committee, and the House Health and Government Operations Committees by October 1. Ms. Fabian-Marks noted that this leaves the Workgroup with a condensed timeline. There are 6 sessions scheduled, with a goal of having the last meeting in early September and taking a few weeks to draft the report and get feedback from the Workgroup before finalizing it. Additional meetings may be added in September. The dates and topics for all future meetings are available in the presentation for this meeting.

Ms. Fabian-Marks invited members to email MHBE staff if they have any feedback on this schedule.

### **Charter Overview**

Ms. Fabian-Marks then went over the Workgroup charter, which includes the legislation's requirements for the Workgroup, its membership, its meeting timeline, and other details. She explained that the document was emailed to Workgroup members and is available on the webpage for the Workgroup. She stated that the same forms that ask members to vote on co-chairs will also allow members to vote to approve the charter. She invited members to ask any questions about the document during the meeting or over email.

Neil Bergsman noted that, to successfully implement the Workgroup's recommendations, the Workgroup has a responsibility to bring their report not only to the attention of the current governor but to the transition team and the new governor and their administration.

### **Background and History of the Small Group Market**

Ms. Fabian-Marks provided an overview of MHBE's authority and scope. She pointed out that several of MHBE's express purposes deal with helping employers enroll employees and access benefits in the small group market.

Ms. Fabian-Marks went over the history of the small group market. She reviewed the eligibility criteria for employers to use the Small Business Health Options Program (SHOP) exchange: 50 or fewer employees on average during the preceding calendar year, at least one full-time employee who is not a spouse or dependent of the owner, located in Maryland, elects to offer all full-time employees coverage in a qualified health plan through the SHOP Exchange, and elects to provide coverage through SHOP to all eligible employees principally employed in Maryland.

Ms. Fabian-Marks reviewed the requirements for the SHOP tax credit, which is the principal incentive for offering health insurance through SHOP: less than 25 full-time equivalent employees (FTEs) who are paid average annual wages of less than \$56,000 per FTE, as well as the requirement for the employer to contribute at least 50% of the premium cost for each enrollee. She noted that, in Maryland and nationally, reports

indicate that these requirements have made the tax credit less appealing than was hoped for. She reviewed the parameters of the program as well: the credit is available for 2 consecutive years and goes down on a sliding scale if there are more 10 FTEs or if the average annual employee wage at a business is more than \$25,000. Enrollment in SHOP is very low in Maryland and nationwide.

Sandy Walters commented that the maximum average wage to receive the full tax credit is a severe limitation for the program because many employees could be penalized by being forced into a small group plan when they could receive better subsidies on the individual market; the SHOP subsidy became almost 0 when the average wages reached \$30,000 to \$32,000. He expressed that the 2-year limit was also a factor and that the small group market did not benefit from many of the rules that were passed that helped the individual market.

Ms. Palmore agreed with Mr. Walters and expressed that she has recommendations for working on this issue.

Glenn Arrington agreed with Mr. Walters and Ms. Palmore. He stated that, in his experience, groups of sizes ranging from 2 to 5 employees are offered better opportunities on the exchange in the individual market. Other groups got upset when the two years expired, and they were not getting the tax credit anymore. He expressed that it is an advantage to keep robust small group products in place and keep third party administrators (TPAs), carriers, and MHBE all involved. He stated that determining eligibility will be one of the hardest parts to implement since many employees are involved rather than one individual.

Ms. Fabian-Marks thanked the members who shared for their feedback on avoiding a repeat of SHOP, which she acknowledged was not an effective, appealing package for employers, judging by enrollment. She agreed that many SHOP-eligible employees may be better off on the individual market.

Ms. Fabian-Marks went over the history of the Maryland Health Insurance Partnership (MHIP), noting that there was a final report on the program published by the Maryland Health Care Commission that addresses it in more detail.

Ms. Palmore expressed that one benefit of SHOP was employers' ability to offer one metal level from multiple carriers for their employees, recommending that the Workgroup find a way to incorporate that into the design for the new subsidy program.

Ms. Fabian-Marks agreed that this was meant to be one of the appeals of SHOP for employers but noted that, in practice, not many groups used that option because it may not have been easy to do.

Mr. Arrington agreed that it was a challenge for small employers to offer plans from multiple carriers. He expressed that it would need to be easier to take advantage of in order to be implemented for the new program.

Ms. Palmore stated that it may be possible to overcome the difficulties employers had with offering plans from multiple carriers by implementing easy to use software, following the example of Washington, D.C.

Mr. Arrington noted that it still may be the best option for some employers to offer plans from only one carrier, so there is merit in allowing employers to do either. Ms. Palmore agreed.

Ms. Hyde asked for confirmation that SHOP will remain in place until another program is implemented to change it. Ms. Fabian-Marks responded in the affirmative.

Ms. Fabian-Marks reviewed the parameters of MHIP. Full details are available in the presentation for this meeting.

Ms. Palmore asked for clarification on the budget amount of \$3 million that was mentioned. Ms. Fabian-Marks responded that this represents the total amount spent on annual subsidies under MHIP but does not include administrative costs.

Mr. Walters explained that people who were enrolled through MHIP were automatically transitioned into SHOP when MHIP was phased out.

Ms. Fabian-Marks reviewed the features and limitations of the current Maryland Health Connection for Small Business website. Employers may browse plans but must enroll through a carrier and/or a broker, unlike Washington, D.C.'s end-to-end enrollment platform for small businesses. Ms. Fabian-Marks noted that Maryland has not built as complete a platform because of MHBE's initial focus on the individual market, the existing robust ecosystem of brokers and TPAs in the small group market, and budgetary constraints due to the fact that federal money is not available for small group work.

Ms. Fabian-Marks explained MHBE's legislated obligations for the small group market and the strategies they have tried: she discussed their transition from a direct enrollment process to contracting with 3 TPAs, then scaling down to just 1 TPA before returning to direct enrollment in 2019 and the stalling of plans for an end-to-end enrollment platform due to the pandemic. Now, however, a small business manager will be joining MHBE.

Ms. Fabian-Marks discussed the current small business environment in Maryland, reviewing data collected by the Hilltop Institute (Hilltop) on the number of small businesses in Maryland overall and stratified by employer size and industry. Full graphics are available in the presentation for this meeting. She noted that anecdotal evidence indicates that the upper ranges of small business sizes, from 20 to 49 employees, tend to be more comfortable with their options while micro businesses in the state struggle with health insurance.

Mr. Arrington noted that businesses with 20-49 employees may have a human resources professional who can administer benefits whereas small businesses may need to rely on brokers for many related services even beyond determination and eligibility for benefits.

Mr. Walters stated that several of the most common industries by number of businesses in the state likely have average salaries that would have eliminated subsidies under the parameters of the SHOP program. He stated that the bulk of businesses may not have been helped by the SHOP subsidies for this reason. He also commented that it would be helpful to see data broken down into more granular employment sizes in order to see where uninsured individuals are concentrated. Ms. Fabian-Marks responded that she would check with Hilltop and share the data if it is available.

Ms. Palmore suggested formulating a potential budget amount using the data on small businesses in the state. She also stated that lowering the 50% required employer contribution will be key to making the program work.

Dana Davenport expressed that it would be helpful to understand how many of the small businesses in each industry in Maryland are nonprofit versus for-profit, and this information has the potential to throw off the counts by industry because of how the nonprofit sector is broken down by industry.

Ms. Fabian-Marks responded that she would check with Hilltop about how nonprofits are classified within the data presented and whether any necessary additional data is available.

Ms. Davenport shared that Maryland Nonprofits has statistics on nonprofit size by revenue in Maryland. She stated that this information is especially relevant because some nonprofits may have revenue determined mostly by reimbursement rates, meaning that government requirements mandate how the money is spent and these nonprofits cannot raise money separately to accommodate health insurance costs.

Ms. Fabian-Marks invited Workgroup members to share any relevant data with her and Ms. Lane over email.

Mr. Arrington commented that it is also important to be fair to policyholders who reduced their expenses considerably to offer health insurance as well as small businesses who chose to let employees get health insurance from the individual market. He stated that the number of employers and covered lives that is used for actuarial modeling for the program might need to be flexible to accommodate businesses and individuals who may not otherwise be counted.

Mr. Bergsman stated that Maryland Nonprofits can provide some relevant statistics but noted that employment data for nonprofits is complicated to compile and may not be accurate. He agreed with Ms. Davenport that nonprofits are interspersed among the industries listed in the data table that was presented. He suggested that MHBE staff or

Hilltop communicate with Maryland Nonprofits to strategize on how to provide the most accurate data possible. Ms. Fabian-Marks responded that her team would follow up with Mr. Bergsman.

Ms. Palmore expressed that currently individuals must subtract employer reimbursement provided through a health reimbursement arrangement from their advance premium tax credits. She stated that it is important to think about enforcement of this rule. She also stated that the subsidies available on the individual market are so robust that they are hard to compete with, expressing that instead the Workgroup needs to design a program that works in tandem with them. She stated that she does not have any SHOP clients because of the difficulties with transitioning from the individual market to SHOP. She asked whether there are any SHOP clients among the small business owners in the Workgroup. Ms. Fabian-Marks expressed that she does not think there are any in the Workgroup.

Mr. Arrington stated that he has had a couple of clients in SHOP that reached the end of the 2-year tax credit and were then moved to another platform. He stated that a move from one market to the other can be expected as rates change.

Ms. Hyde commented that she does have clients on SHOP and has even had clients newly on it. She expressed that the process is confusing for clients and brokers and invited members to ask any questions now or over email.

Stephanie Klapper expressed that it would be helpful to have data on the uninsured by more granular employment sizes than 0-100 employees. She also noted that evidence shows young adults are highly represented among the uninsured but accept employer-offered insurance at similar rates, meaning it is likely that many young adults are working for employers who do not offer health insurance. For this reason, data on the age of employees at small businesses not offering health insurance would be helpful.

Mr. Frank expressed that Ms. Klapper brings up a good point: he highlighted the necessity of finding out what the need is.

Mr. Walters stated that young males tend not to think they need health insurance, while young females tend to think they do. He noted that this may make it difficult to get young males into individual or small group plans if the cost is too high.

Ms. Fabian-Marks shared a graphic showing that just 37% of Maryland employers with 1-49 employees offer health insurance compared with 95% of larger employers. Mr. Frank noted that this statistic is somewhat misleading because the source material indicates that 28% of Maryland employers with less than 10 employees offer health insurance while 60% of Maryland employers with 10-24 employees do. He stated that the number of small employers in the state skews the percentage.

Ms. Hyde commented that it is important to remember that employers with over 50 employees are mandated to offer health insurance: they are not voluntarily offering it, and even with mandates some larger employers still do not offer it. Smaller employers are not subject to the same mandates.

Mr. Arrington agreed. He commented that it may be less expensive for employers with more than 50 employees to pay the penalty for not offering healthcare benefits, but most of these companies see the value in offering them and have done it for decades. Some businesses in the service industry represent a rare exception.

Mr. Walters noted that Massachusetts has much better uninsured numbers because employers of all sizes are mandated to offer healthcare benefits. He stated that Maryland would achieve similar results by passing a similar law. Ms. Fabian-Marks responded that Massachusetts often serves as a model for MHBE to follow given their success in reducing the uninsured and their robust state subsidy program.

Ms. Fabian-Marks presented a graphic showing that individuals in Maryland who work for smaller employers (less than 100 employees) are more likely to be uninsured than those working for larger employers. Addressing requests to compile more granular data on employer size and demographics among the uninsured, Ms. Fabian-Marks stated that she does not think data that combines those 3 factors exists but that she will check with Hilltop. She expressed that good data is available on who the uninsured are in Maryland without a connection to employer size, so they could provide that data.

### **Discussion**

Ms. Fabian-Marks presented a list of discussion questions. The full list of questions is available in the presentation for this meeting. She stated that members are welcome to bring up other topics of interest as well.

Ms. Hyde stated that her recollection is that the maximum subsidy for a family through MHIP was \$6,550 as opposed to the maximum of \$1,488 listed on the slide. She recommended that MHBE staff check the data that she provided. Ms. Fabian-Marks responded that they would check.

Mr. Walters expressed that it would be interesting to note the difference in insurance cost in the 10-year period between when MHIP was active and today, as there has been a tremendous increase in cost. Ms. Fabian-Marks responded that staff will share that information if they are able to.

Mr. Bergsman stated that it would be helpful to have some simple charts showing typical costs for employee health insurance, perhaps comparing a 10-employee business with a larger small business. He acknowledged that averages and assumptions would need to be used, but he expressed that this would be helpful for members of the Workgroup who are not well versed in the insurance industry as well as policymakers to whom the Workgroup's recommendations will be communicated.

Ms. Davenport suggested looking at data that captures 2 sets of exceptional circumstances: nonprofits that do not need to offer health insurance because employees have spouses who can take care of their insurance, and people who are single without dependents and are above age 26. She expressed that health insurance can be difficult for the latter group and that employer-sponsored health insurance can be crucial. She stated that the rise in people working as contractors without health insurance from the business that pays them is a factor as well. She acknowledged that quantitative data may not be available to describe these groups but urged the Workgroup to use qualitative data as well.

Ms. Davenport also asked whether there is revenue data available for nonprofit and for-profit businesses in Maryland so that the Workgroup could consider the different subsidy amounts businesses would be given, and their corresponding need, depending on their revenue.

Mr. Arrington commented that one of the positives for small businesses enrolling in the small group market as opposed to having individual policies for employees is having a controlled benefit program. He also stated that the most important factor for many of his clients before the passage of the Affordable Care Act (ACA) was that dependents would have to go through medical underwriting and could be denied or would have to use MHIP. After the passage of the ACA, however, dependents may qualify for policies through Maryland Health Connection or the Children's Health Insurance Plan. For this reason, not as many employers are paying for dependent coverage; most of his clients are concerned with the employee specifically.

Ms. Hyde agreed with Mr. Arrington. She also stated that it is important to be mindful that many group members are not as familiar with the industry as producers like her. To Ms. Davenport's comment on the connection between the revenue of businesses and the subsidies they receive, Ms. Hyde clarified that the subsidy amounts are based on employee income as opposed to overall revenue, meaning that the distinction between nonprofit and for-profit businesses may hold less weight for the subsidy amount. She also stated that it is simple for producers to provide sample quotes and expressed that any of the producers in the Workgroup would be willing to do so to provide the information that Mr. Bergsman discussed.

Ms. Palmore asked for clarification on who is gathering information on the number of nonprofits in Maryland. Ms. Fabian-Marks responded that Mr. Bergsman and the team at Maryland Nonprofits would help with that. Mr. Bergsman confirmed that they have access to the number of nonprofits in the state by industry and revenue as well as lower quality data on employer size.

Ms. Palmore also asked for clarification on how information on where the uninsured are in Maryland is gathered. Ms. Fabian-Marks responded that MHBE has access to data on geographic location of the uninsured and can provide a map but cannot easily tie in information on individuals that are uninsured and work for a small business, although she will investigate that possibility as well. Ms. Palmore expressed that this will be

important because rates vary by zip code and because some carriers have limited service areas.

Ms. Fabian-Marks asked members to continue to think about the discussion questions between this meeting and the next. She also reiterated that MHBE staff will be following up with the Maryland Insurance Administration, Hilltop, and some members of the Workgroup to provide further clarifying data. She invited members to send any questions or comments to her and Ms. Lane over email.

### **Public Comment**

None offered.

### **Adjournment**

The meeting adjourned at 3:00 pm.

### **Chat record:**

00:09:22.168,00:09:25.168

Anonymous Person: Hi Johanna...Trina Palmore is showing as Anonymous Person publicly.

00:12:25.092,00:12:28.092

Neil Bergsman: I am having an issue with my computer. I will click off and come back in a minute after I have restarted my computer.

00:39:26.853,00:39:29.853

Mark Kleinschmidt: Could be a good question to ask the candidates and the campaign after the primary

00:57:12.809,00:57:15.809

Deb Rivkin: I have to drop off.

01:22:16.905,01:22:19.905

Rick Weldon: Johana- It's possible that the MD Chamber may have more direct demographic data on industry sector/employees

01:28:54.405,01:28:57.405

Henry Nwokoma -MDInsurance-: Sorry, I have to drop off

01:54:15.409,01:54:18.409

Dana Davenport: Thank you, Amber.

01:54:37.972,01:54:40.972

Amber Hyde: your welcome

01:54:49.916,01:54:52.916

Amber Hyde: you're welcome

01:55:09.979,01:55:12.979

Dana Davenport: Is there information, then, based on average salary ranges in lieu of solely caps of qualifications up to a certain average salary?

01:56:37.176,01:56:40.176

Amber Hyde: Dana, we can do sample quotes and estimated tax credits from the Broker side