

# Small Business and Nonprofit Health Insurance Subsidy Program Workgroup

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Session 1 – July 12, 2022

# Agenda

1:00-1:30 Welcome and Introductions

1:30-1:45 Overview of Workgroup Objectives and Charter

1:45-2:15 Background & History of Small Group Market

2:15-2:45 Discussion

2:45-3:00 Public Comment

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# Welcome & Introductions

# Members

Member	Affiliation
Glenn Arrington	Insurance Producer
Neil Bergsman	MD Nonprofits
David Brock	Aetna
Dana Davenport	Association of Community Services of Howard County
Janet Ennis	Maryland Insurance Administration (MIA)
Jon Frank*	Insurance Producer
Bruce Fulton	Neighbor Ride
Amber Hyde*	All About Benefits, LLC
Stephanie Klapper	Maryland Citizens' Health Initiative
Mark Kleinschmidt	Anne Arundel County Chamber of Commerce
Jamal Lee	Breasia Productions

Member	Affiliation
Lane Levine	A Friendly Bread
Allison Mangiaracino	Kaiser Permanente
Robert Morrow	UnitedHealthcare
Henry Nwokoma	MIA
Trina Palmore*	Solomon's Financial Group
Deb Rivkin	CareFirst
Sandy Walters	Kelly Benefits
Rick Weldon*	Frederick County Chamber of Commerce

\* Indicates co-chair candidate

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# Workgroup Objectives

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## SB 632 - Small Business and Nonprofit Health Insurance Subsidies Program - Workgroup

1. “...**study and make recommendations** relating to the establishment of a Small Business and Nonprofit Health Insurance Subsidies Program to provide subsidies to small businesses and nonprofit employers and their employees for the purchase of health benefit plans.”
2. **Submit report** on findings & recommendations to the Governor, Senate Finance Committee, House Health & Government Operations Committee by **October 1, 2022**

# Future Topics

Session #	Date	Topic
2	July 26	Small employers' and employees' health insurance coverage needs; Program objectives and target metrics
3 - 4	August 9	Program scope and design
5	August 23	Program costs and financing
6	Sept 6	Buffer: time for additional discussion, follow-up items



# Charter Overview

# Workgroup Charter

## WORKGROUP RESPONSIBILITIES UNDER SB632

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The Maryland Health Benefit Exchange shall convene a workgroup to study and make recommendations relating to the establishment of a Small Business and Nonprofit Health Insurance Subsidies Program to provide subsidies to small businesses and nonprofit employers and their employees for the purchase of health benefit plans.

The workgroup shall study and make findings and recommendations regarding:

- (1) the health insurance coverage needs of small employers, nonprofit employers, and their employees
- (2) objectives and target metrics for the Program
- (3) the optimal scope and design features of a Small Business and Nonprofit Health Insurance Subsidies Program, including:
  - a. whether subsidies under the Program should be available for the purchase of qualified health plans offered to small employers on the Exchange and the purchase of health benefit plans offered to small employers outside the Exchange
  - b. subsidy eligibility and payment parameters for the Program
  - c. the administrative structure and infrastructure investments required for implementation of the Program, including any requirements for the Exchange, health insurance carriers, and any other entities involved in the implementation of the Program; and
  - d. the duration of the Program
- (4) the cost to administer the Program, including the cost to provide subsidies and operational costs
- (5) the sources and levels of funding needed to support the Program

On or before October 1, 2022, the Exchange shall submit a report to the Governor and, in accordance with § 2–1257 of the State Government Article, the Senate Finance Committee and the House Health and Government Operations Committee that includes the findings and recommendations of the workgroup required under this section.

# Background & Scope

# MHBE 101 – Overview

- **MHBE is a state-based health insurance marketplace/exchange launched in 2014**
  - Operates the **Maryland Health Connection** enrollment platform (website, app, call center)
  - Serves most **Medicaid** enrollees (1.23M) and legally present people in the **individual market** (175,000 - no affordable employer coverage, ineligible for Medicaid/Medicare)
  - Only source of **financial assistance** for people in the individual market: federal subsidies to cap premiums at 0%-8.5% of income and reduce cost-sharing for low-income individuals, state premium assistance for young adults
- **MHBE authority/scope includes:**
  - Conducting **outreach and enrollment** activities, overseeing the Navigator program
  - **Enhancing MHC** to improve the enrollment experience
  - **Setting plan certification standards** for individual market plans sold through MHC. Plan certification standards encompass features such as plan design and information provided to consumers
  - Administering affordability programs (**reinsurance** and **young adult subsidy**)

# MHBE 101 - Purposes of the Exchange

**(c) Purpose.** The purposes of the Exchange are to:

- (1) reduce the number of uninsured in the State;
- (2) facilitate the purchase and sale of qualified health plans in the individual market in the State by providing a transparent marketplace;
- (3) assist qualified employers in the State in facilitating the enrollment of their employees in qualified health plans in the small group market in the State and in accessing small business tax credits;**
- (4) assist individuals in accessing public programs, premium tax credits, and cost-sharing reductions; and**
- (5) supplement the individual and small group insurance markets outside of the Exchange.**

Insurance Article 31-102 Annotated Code of Maryland, *Maryland Health Benefit Exchange*

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# History of the Small Group Market and SHOP

# Employer Eligibility Criteria for SHOP Exchange

## COMAR 14.35.18.03

(1) An employer is eligible to purchase insurance on the SHOP Exchange if it meets the following requirements as established by Insurance Article, §31-101(aa), Annotated Code of Maryland:

- (a) Has, on average, 50 or fewer employees during the preceding calendar year;
- (b) Has at least one full-time employee who is not the spouse or other dependent of the owner;
- (c) Has its principal place of business in Maryland;
- (d) Elects to offer, at a minimum, all full-time employees coverage in a qualified health plan through the SHOP Exchange; and
- (e) Either:
  - (i) Elects to provide coverage through the SHOP to all eligible employees, wherever employed; or
  - (ii) Elects to provide coverage through the SHOP to all of its eligible employees who are principally employed in Maryland.

**SHOP Exchange enrollees are rated as part of the total small group risk pool.**

# Affordable Care Act (ACA) Small Business Health Options Program (SHOP) Tax Credit

- No ACA requirement for small businesses to offer health insurance coverage
  - Instead, SHOP tax credit created to incentivize offering coverage
- Requirements to qualify:<sup>1</sup>
  - < 25 full-time equivalent employees (FTEs) for the taxable year
  - Pay average annual wages of < \$56,000 per FTE
  - Must maintain a “qualifying arrangement” where the employer contributes at least 50% of the premium cost for each enrollee who enrolls in a qualified health plan through the exchange

# SHOP Tax Credit (Continued)

- SHOP tax credit parameters:<sup>2</sup>
  - The maximum credit is 50% of employer's premium payments (35% for tax-exempt organizations)
  - Available for 2 consecutive years
  - Tax credit reduced if:
    - FTEs >10
    - Average wage >\$25,000
- Low SHOP enrollment in Maryland and nationwide
  - 232,698 covered lives nationwide as of January 2017 compared to 4 million estimated<sup>3,4</sup>
  - In Maryland, 121 active groups with 651 covered lives as of April 30, 2022<sup>5</sup>

<sup>2</sup> ACA §1421; 26 USC § 45R(b)

<sup>3</sup> Congressional Research Service. (2021, February 16). Overview of Health Insurance Exchanges

<sup>4</sup> CMS. (May 15, 2017). *The Future of SHOP*.

<sup>5</sup> Source: MHBE

# SHOP Tax Credit (Continued)

- Factors related to low SHOP enrollment nationally:
  - Non-ACA compliant small group market plans were allowed to continue until October 2016<sup>5</sup>
  - Many states prioritized staff time and resources for the individual market over SHOP<sup>6</sup>
  - Many businesses were unaware of the tax credit or were deterred by:
    - The upper limit on salaries<sup>7</sup>
    - The limited (two year) availability of the tax credit
    - The paperwork burden<sup>8</sup>

<sup>5, 6</sup> Haase, L., Chase, D., and Gaudette, T. (2015). Lessons from the Small Business Health Options Program: The SHOP Experience in California and Colorado. *The Commonwealth Fund*

<sup>7</sup> Haase, L., Chase, D., and Gaudette, T. (2017, July). Talking SHOP: Revisiting the Small-business Marketplaces in California and Colorado. *The Commonwealth Fund*

<sup>8</sup> [Blumberg, L. and Rifkin, S. \(2014, August\). Early 2014 Stakeholder Experiences with Small-Business Marketplaces in Eight States. The Urban Institute](#)

# SHOP Tax Credit (Continued)

*(continued)*

- In the 2019 Benefit and Payment Parameter rule, CMS effectively ended the federal SHOP exchange.<sup>9</sup>
  - Now, firms can browse and compare plan options on HealthCare.gov, but they must enroll through either a SHOP-registered agent or broker or directly with an insurer<sup>10</sup>
  - Insurer participation (and, consequently, plan availability) has been limited
    - In over half of states, no insurers were offering SHOP plans as of plan year 2020<sup>11</sup>

<sup>9</sup> HHS Notice of Benefit and Payment Parameters for 2019, 83 Fed. Reg. 16930 (April 17, 2018) (to be codified at 45 CFR parts 147, 153, 154, 155, 156, 157, 158)

<sup>10</sup> CMS. (2021, October 25). Marketplace 2022 Open Enrollment Fact Sheet

<sup>11</sup> Congressional Research Service. (2021, February 16). Overview of Health Insurance Exchanges

# Prior Small Business Subsidies in Maryland

- Health Insurance Partnership<sup>12</sup>
  - Created as part of the Maryland Working Families and Small Businesses Health Coverage Act of 2007
  - Provided subsidies to small businesses for purchasing health insurance
  - Number of employers using the program and covered lives remained low
    - Ranged from 221 to 423 participating employers and 1,050 to 1,951 covered lives
  - Phased out with the enactment of SHOP under the ACA

<b>Table 1: Partnership Enrollment and Costs: 2008 - 2015</b>	<b>Dec 2008</b>	<b>Dec 2009</b>	<b>Dec 2010</b>	<b>Dec 2011</b>	<b>Dec 2012</b>	<b>Dec 2013</b>	<b>Dec 2014</b>	<b>Dec 2015</b>
Number of Participating Employers	79	221	315	370	425	423	70	18
Number of Participating Employees	246	646	892	1,066	1,171	1,205	184	42
Number of Covered Individuals	404	1,050	1,468	1,805	1,932	1,951	318	74
Average Annual Premium Subsidy per Covered Individual	\$1,135	\$1,232	\$1,452	\$1,397	\$1,482	\$1,484	\$1,467	\$1,723
<b>Total Annual Subsidy for existing participants</b>	<b>\$458,534</b>	<b>\$1,293,484</b>	<b>\$2,138,086</b>	<b>\$2,521,270</b>	<b>\$2,863,097</b>	<b>\$2,894,322</b>	<b>\$466,551</b>	<b>\$127,498</b>

# Health Insurance Partnership Eligibility

- Eligible small businesses have:
  - At least 2, no more than 9 eligible\* employees
  - Low to moderate wages
    - Average wage of enrolled businesses
      - 2008-2013: \$27,500 - \$28,500
      - 2014: \$28,500 - \$29,500
      - 2015: \$23,775
- Subsidy per employee depends on the health insurance coverage chosen and the average annual wage of the business. The premium subsidy can be up to 50% of the premium for each participating employee, not to exceed a maximum amount set by the Commission (see table to right)

Average Wage	Employee only	Family
< \$30,000	\$2,500	\$6,250
\$35,001	\$1,786	\$4,464
\$40,001	\$1,190	\$2,976
\$45,001	\$595	\$1,488
\$50,001	\$0	\$0

**Abbreviated Maximum Subsidy Amounts, 2014**

\*an individual who is not a temporary, seasonal, or substitute employee and works 30 hours or more per week. Owners and partners working at least 30 hours per week count as eligible employees, as do independent contractors who work at least 30 hours per week if the employer chooses to insure them.

# Maryland Health Connection for Small Business

What is MHC for Small Business?

Health Care Tax Credit

How to Enroll



Create Employer Account

Create Broker Account

Get Quote

# MHBE's Small Business Responsibilities

- As a state-based marketplace, MHBE must assist qualified employers **in facilitating\*** the enrollment of their employees in qualified health plans 45 CFR 155.700(a)(2)
- Program required functions:
  - QHP Certification 45 CFR 155.705(b)(5)
  - Determination and notice of Employer Eligibility to Purchase MHC for Small Business QHPs and QDPs 45 CFR 155.716 (a)(e)

\* Changed from 'and facilitate' (1/1/2018)

# What have we tried?

- **2014** “Direct enrollment” process • Employer choice model only • Exchange determined employer eligibility to participate in SHOP program • Exchange reported enrollment information to CMS and IRS • **Brokers** worked directly with carriers and/or third-party administrator to sell SHOP certified plans.
- **2015** “Direct enrollment” for Employer Choice model • Employee choice model available through **three** contracted third-party administrators
- **2016** Contracted with **one** third party administrator for Employer & Employee choice models
- **2019** Returned to direct enrollment process
- **2020** MHC for small business portal envisioned

	2014	2015	2016	2017	2018	2019	2020	2021
Employers	43	88	113	107	148	152	156	121
Covered Lives	263	604	735	588	853	821	878	649

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# The Current Small Business Environment in Maryland

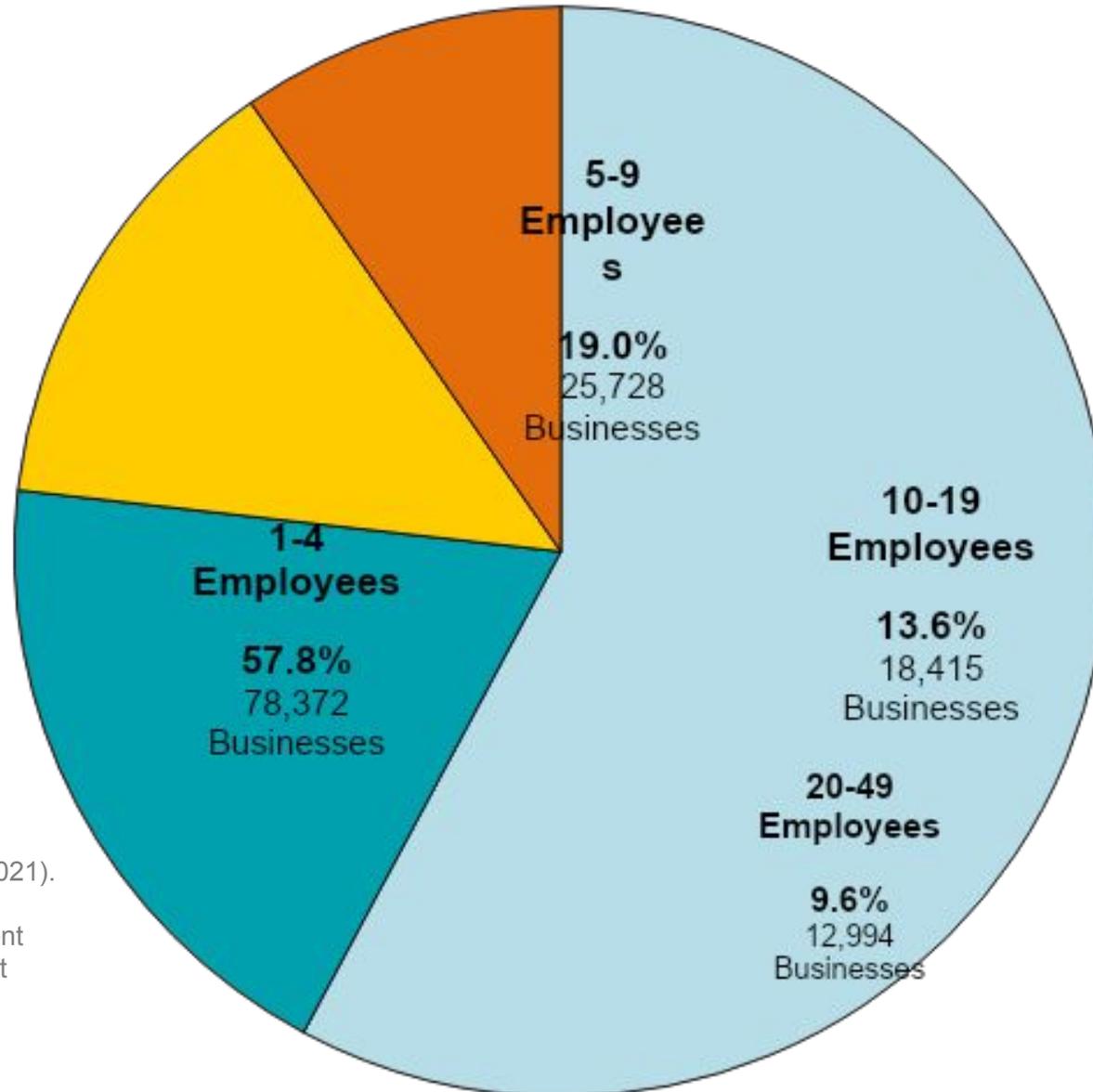
# Small Businesses in Maryland

- Maryland defines a small business as having between 1 and 50 employees<sup>13</sup>
- As of third quarter 2021, there were an estimated 135,509 Maryland private-sector businesses operating with 1 to 49 employees<sup>14</sup>
- These businesses represent 77.4% of all private-sector businesses in the state
- Small Group Market size:
  - In Maryland's SHOP: 121 active groups with **651 covered lives** (MHBE data as of April 30, 2022)
  - Total on- and off-exchange enrollment: **248,328 covered lives** (MIA [data](#) as of February 28, 2022)

<sup>13</sup> ACA §1304; 42 USC § 18024(b)(2); MD Code Ann., Ins. Art. §31-101(aa)

<sup>14</sup> Maryland Department of Labor. (2021). Maryland Quarterly Census of Employment and Wages: Employment and Wages by Size of Reporting Unit

## Maryland Private-Sector Businesses with 1-49 Employees by Employer Size<sup>15</sup>



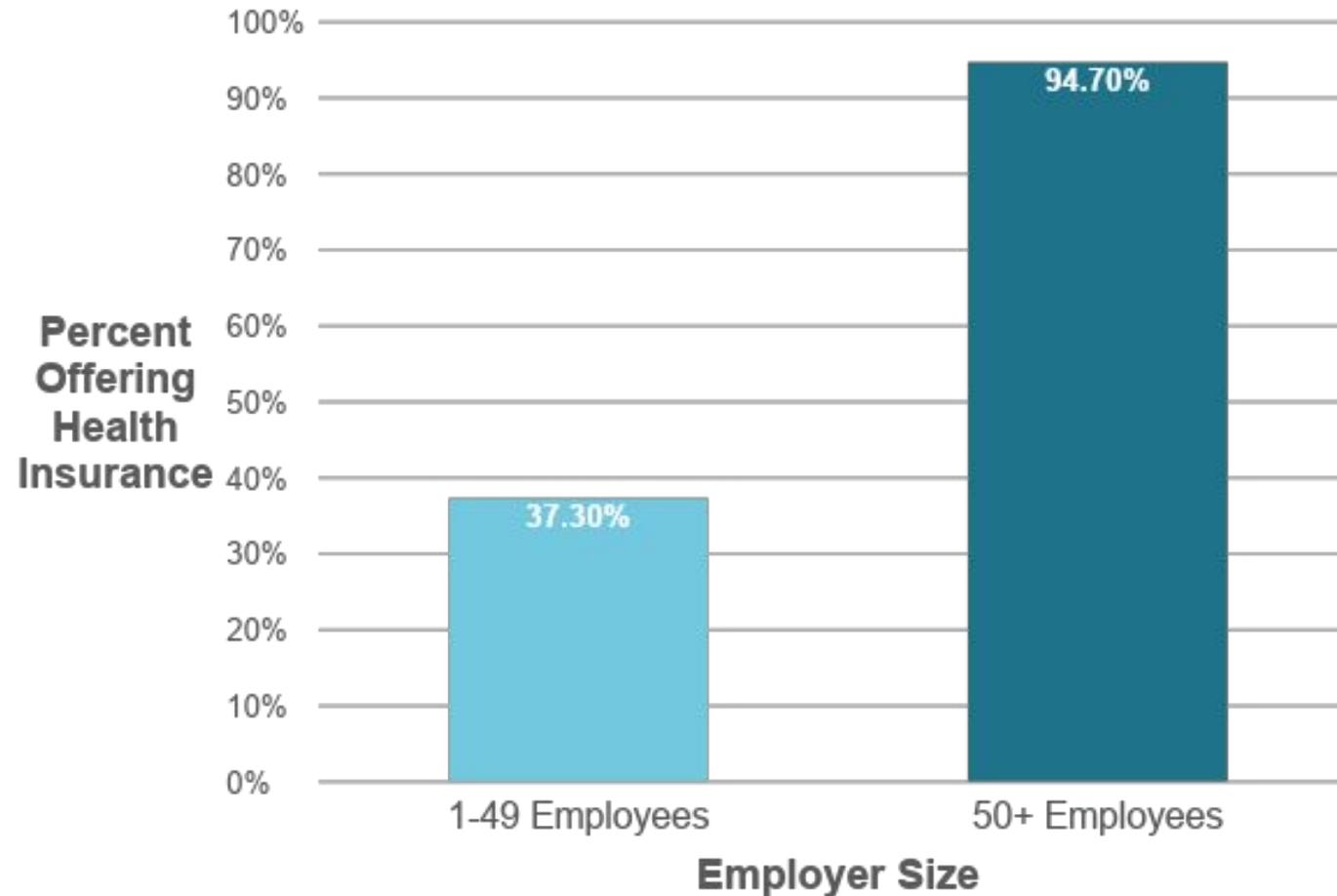
<sup>15</sup> Maryland Department of Labor. (2021). Maryland Quarterly Census of Employment and Wages: Employment and Wages by Size of Reporting Unit

## Maryland Businesses with 1-49 Employees by Industry Type<sup>16</sup>

Industry Type	Percent of Businesses
Professional, Scientific, and Technical Services	16.94%
Construction	13.22%
Other Services (except Public Administration)	12.25%
Health Care and Social Assistance	11.40%
Retail Trade	9.82%
Accommodation and Food Services	8.57%
Administrative and Support and Waste Management and Remediation Services	6.43%
Real Estate and Rental and Leasing	4.47%
Finance and Insurance	3.45%
Wholesale Trade	3.43%
Transportation and Warehousing	2.62%
Manufacturing	2.25%
Arts, Entertainment, and Recreation	1.79%
Educational Services	1.76%
Information	1.07%
Agriculture, Forestry, Fishing and Hunting	0.18%
Industries not classified	0.18%
Management of Companies and Enterprises	0.11%
Utilities	0.04%
Mining, Quarrying, and Oil and Gas Extraction	0.02%
<b>Total</b>	<b>100%</b>

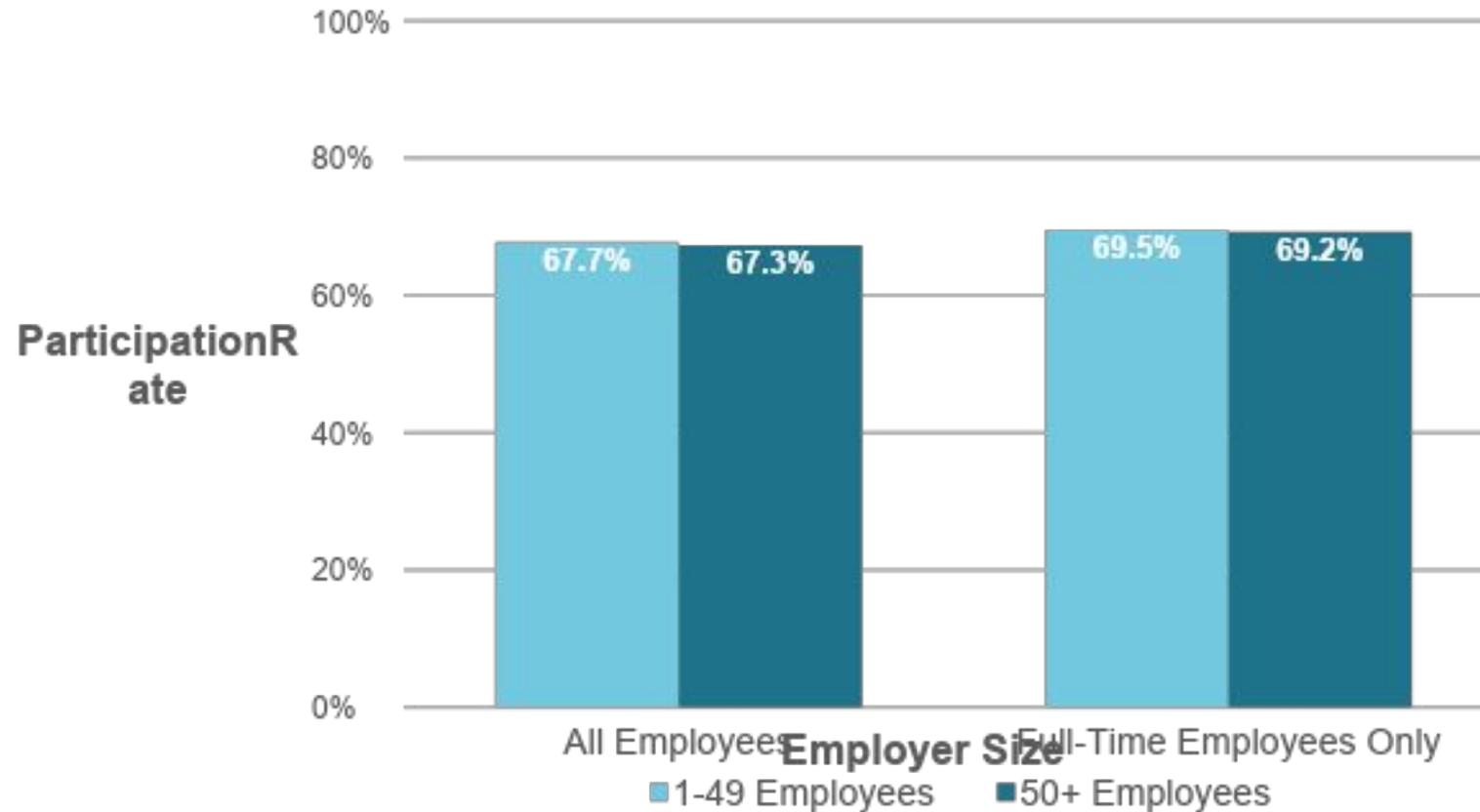
<sup>16</sup> US Census Bureau. (2019). Statistics of US Businesses (SUSB) U.S. & States Data by NAICS with Detailed Employment Sizes

## Percent of Maryland Businesses that Reported Offering Health Insurance in 2020 by Employer Size<sup>17</sup>



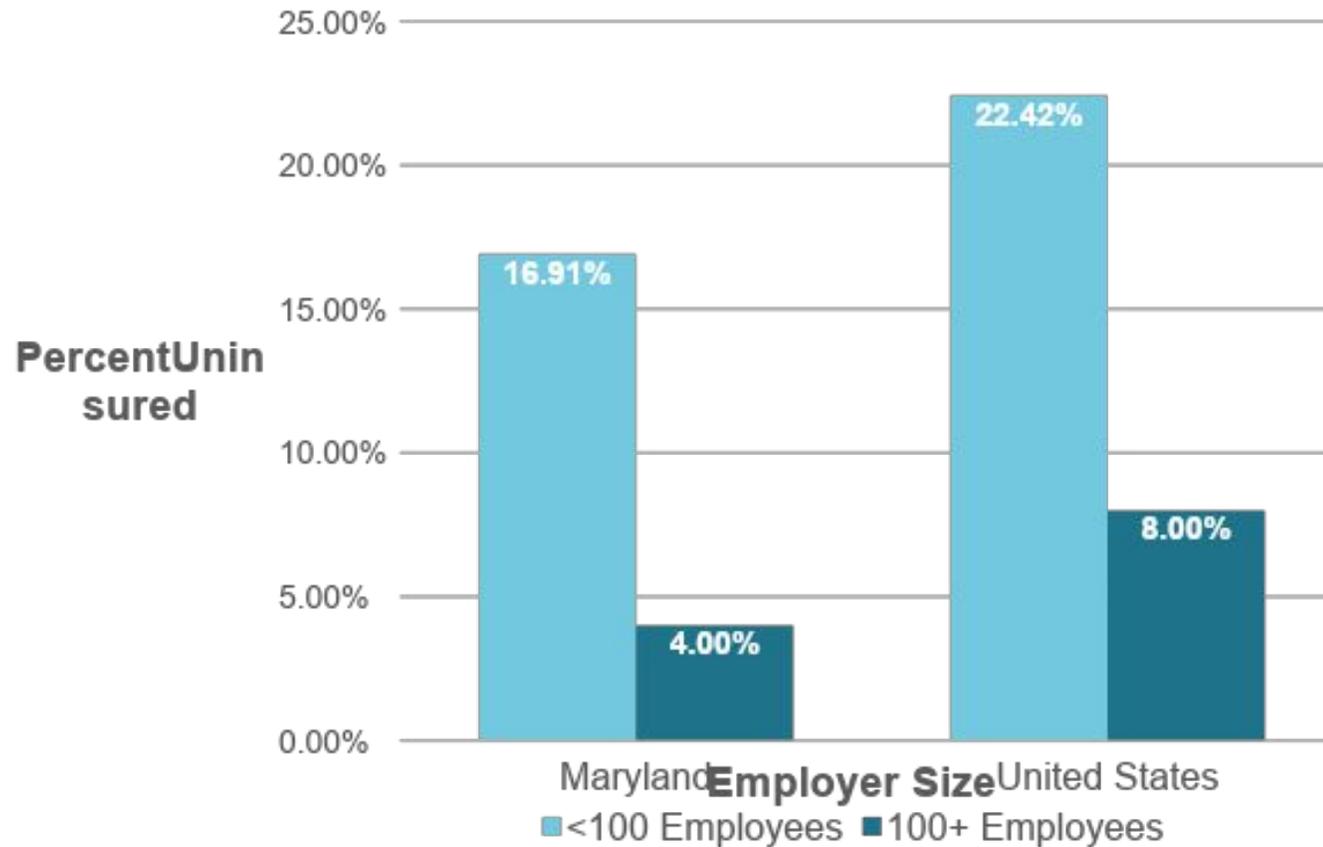
<sup>17</sup> Agency for Healthcare Research and Quality. (2020). Center for Financing, Access and Cost Trends: 2020 Medical Expenditure Panel Survey - Insurance Component

## Participation Rates by Employer Size Among Eligible Employees at Maryland Businesses Offering Health Insurance, 2020<sup>18</sup>



<sup>18</sup> Agency for Healthcare Research and Quality. (2020). Center for Financing, Access and Cost Trends: 2020 Medical Expenditure Panel Survey - Insurance Component

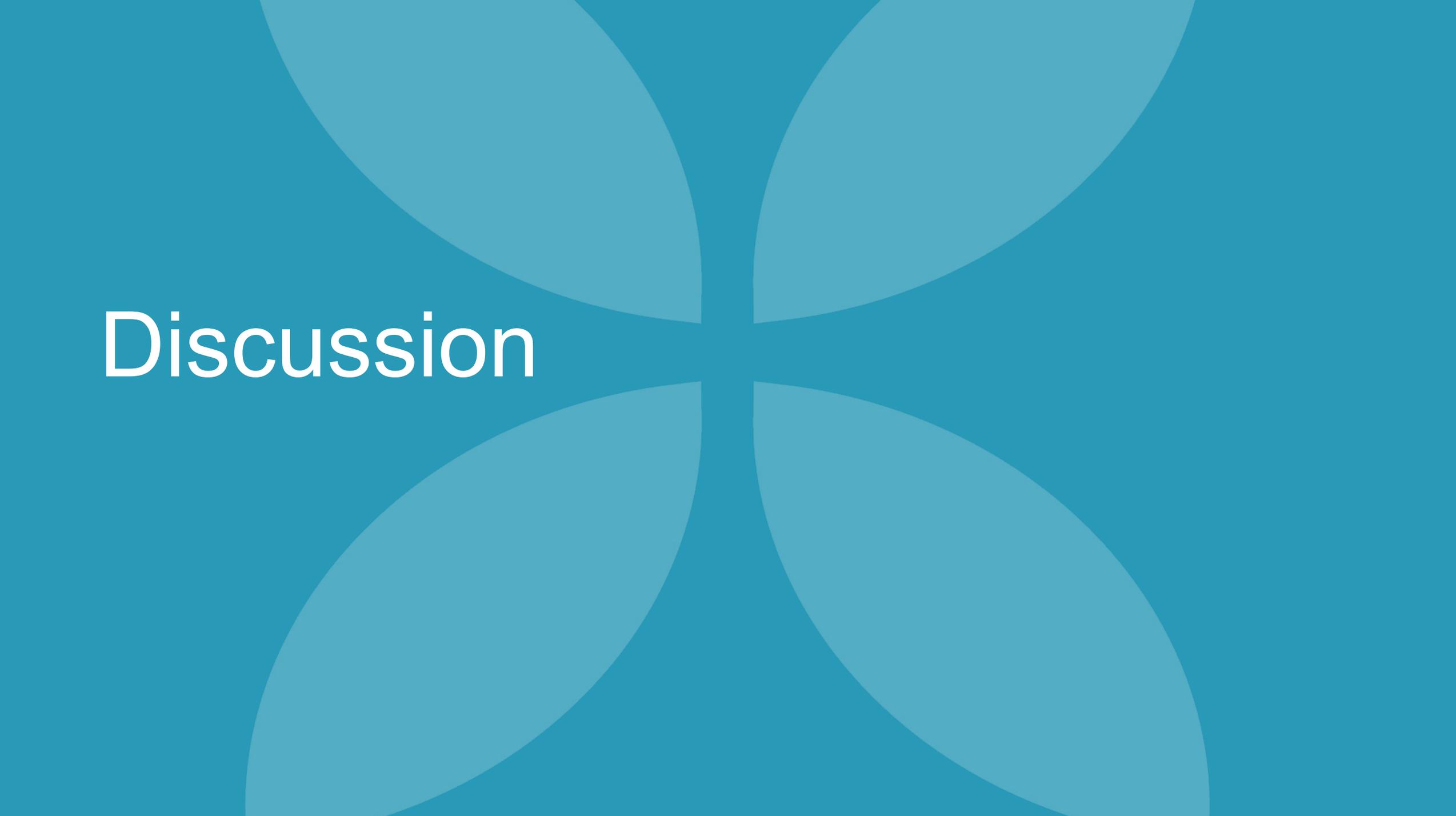
## Uninsurance Rates by Employer Size Among People Ages 15-64 Who Worked During the Year, at State and National Level, 2021<sup>19</sup>



\*

<sup>19</sup> US Census Bureau. (2021). Annual Social and Economic Supplement

\* Different size categories used due to how employer size was categorized in data source



# Discussion

# Discussion

- Do you see gaps or unmet needs in terms of health insurance for small businesses? If so, what are the gaps/unmet needs?
- What data would be helpful for you to have to inform future discussions?
- What are some reasons small employers forgo offering health insurance coverage to employees?
- What would make small employers more likely to offer coverage to employees?
- What are the pros and cons of connecting small business employees to the individual market versus the small business market?

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# Public Comment

# Next Steps

**Next meeting: July 26, 2022**

# Appendix

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