

Small Business and Nonprofit Health Insurance Subsidy Program Workgroup

Session 4 – August 30, 2022



Welcome

Agenda

1:00 - 1:10 | Welcome

Jon Frank and Rick Weldon- Co-chairs

1:10 - 1:25 | Recap of Proposed Options

Mimi Hailegeberel, Small Business Programs Manager

1:25 - 1:45 | Program Cost Analysis

Jason Doherty & Josh Hammerquist, Lewis & Ellis Inc.

1:45 - 2:00 | Subsidy Phase-Out Plans

Jason Doherty & Josh Hammerquist, Lewis & Ellis Inc.

2:00-2:40 Discussion & Voting

Jon Frank and Rick Weldon- Co-chairs

2:40 - 2:50 | Marketing & Awareness Plans, Program Measurement

Mimi Hailegeberel, Small Business Programs Manager

2:50 - 3:00 | Public Comment

3:00 | Adjournment

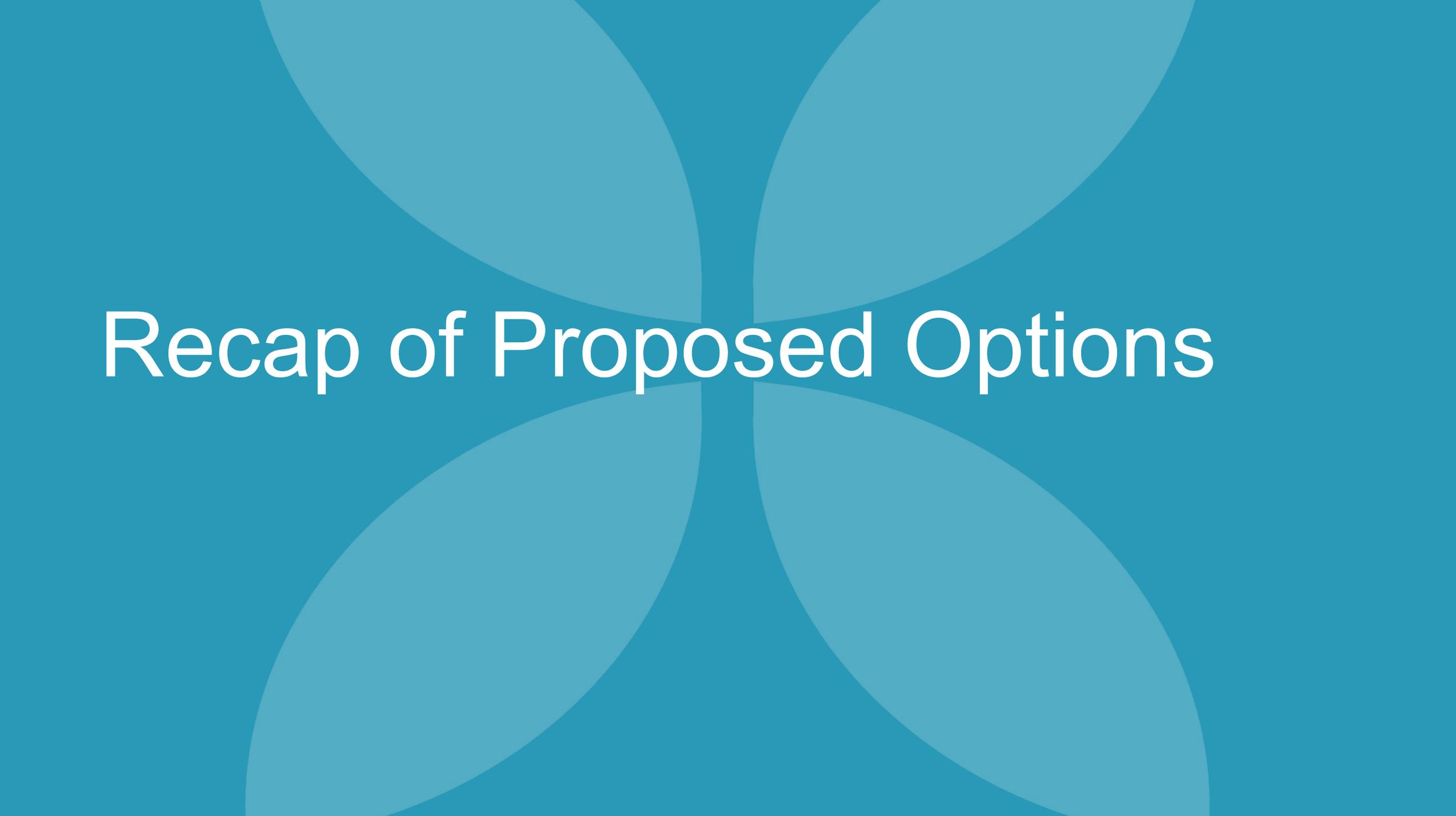
Members

Member	Affiliation
Glenn Arrington	Group Benefit Strategies
Neil Bergsman	MD Nonprofits
David Brock	Aetna
Dana Davenport	Association of Community Services of Howard County
Janet Ennis	Maryland Health Care Commission
Jon Frank	Insurance Advisor
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	Maryland Health Care Commission
Trina Palmore	Solomon's Financial Group
Deb Rivkin	CareFirst
Sandy Walters	Kelly Benefits
Rick Weldon	Frederick County Chamber of Commerce

High-Level Agenda

Session #	Date	Topic
5	Sept 13	Draft of proposed report, additional discussion, follow-up items
6	Sept 27	Final report presentation, workgroup closeout



Recap of Proposed Options

Options Comparison Summary

Subsidy Offered Through:	Traditional Small Business Plan(s) (Option 1)	Individual Market (Option 2)
Plan design	Group plan(s) chosen by employer	Employees shop for individual plans with APTC and Additional State Subsidy (subsidy stacking)
Employer contribution	Employer's choice/discretion; tax deductible business expense. EE contribution tax free under Section 125	Not tax-advantaged for employer. Employee may owe taxes on additional subsidy.
On/Off exchange	On/Off exchange	On exchange
SHOP tax credit	Available	Not available
Target program timeline	January 1, 2024	January 1, 2024
Plan year start	1st of any month. Especially beneficial 11/15-12/15	Open Enrollment & SEP. Could establish SEP for employees newly eligible for subsidy.
Simplicity	Follows existing small group protocols in place with insurers. Employer maintains plan eligibility & compliance	Carriers, TPAs & small businesses have concerns but can implement this option. Employer maintains plan eligibility & compliance



Program Duration & Cost

Criteria for Target Population

Table 1. Number of Establishments and Employees and Average Wages for Maryland Small Businesses by Employment Size and Health Insurance Status

Category	Number of Establishments	Number of Employees	Average Annual Wages
1-49 employees	135,509	632,558	\$47,875.16
1-9 employees	104,100	220,068	\$47,333.94
1-9 employees, no small group health plan offered in the last 12 months	74,327	148,986	--

Scenarios Modeled

1. Scenario 1 - All Small Groups. Firms with 1-49 employees, excludes sole proprietors
 - ❖ Option A – 10% reduction to Small Group premium
 - ❖ Option B – 10% reduction to Individual market premium

2. Scenario 2 - Small Groups with 1-9 employees with no small group health plan offered in the last 12 months
 - ❖ Option A – 20% reduction to Small Group premium
 - ❖ Option B – 10% reduction to Individual market premium

Description of Data Sources

Data	Source
Group demographics, uninsured rates, insurance uptake	The Hilltop Institute
Small group market premium rates	Maryland Insurance Agency
Gross and net Individual premium rates	L&E reinsurance modeling

1.A. 10% Small Business Premium Reduction – All Small Groups

Scenario 1- All small businesses in Maryland with and without a small group plan offering

- Option A - 10% reduction to small group premium
- 20% of firms who previously did not offer insurance coverage are projected to begin offering after the introduction of the subsidy
- Expected employee participation is 50% after new offer of coverage from their employer. Total new employee participation is 10% (20% x 50%)
- Premiums are based on 2022 and 2023 approved rate increases and 5% additional trend to 2024

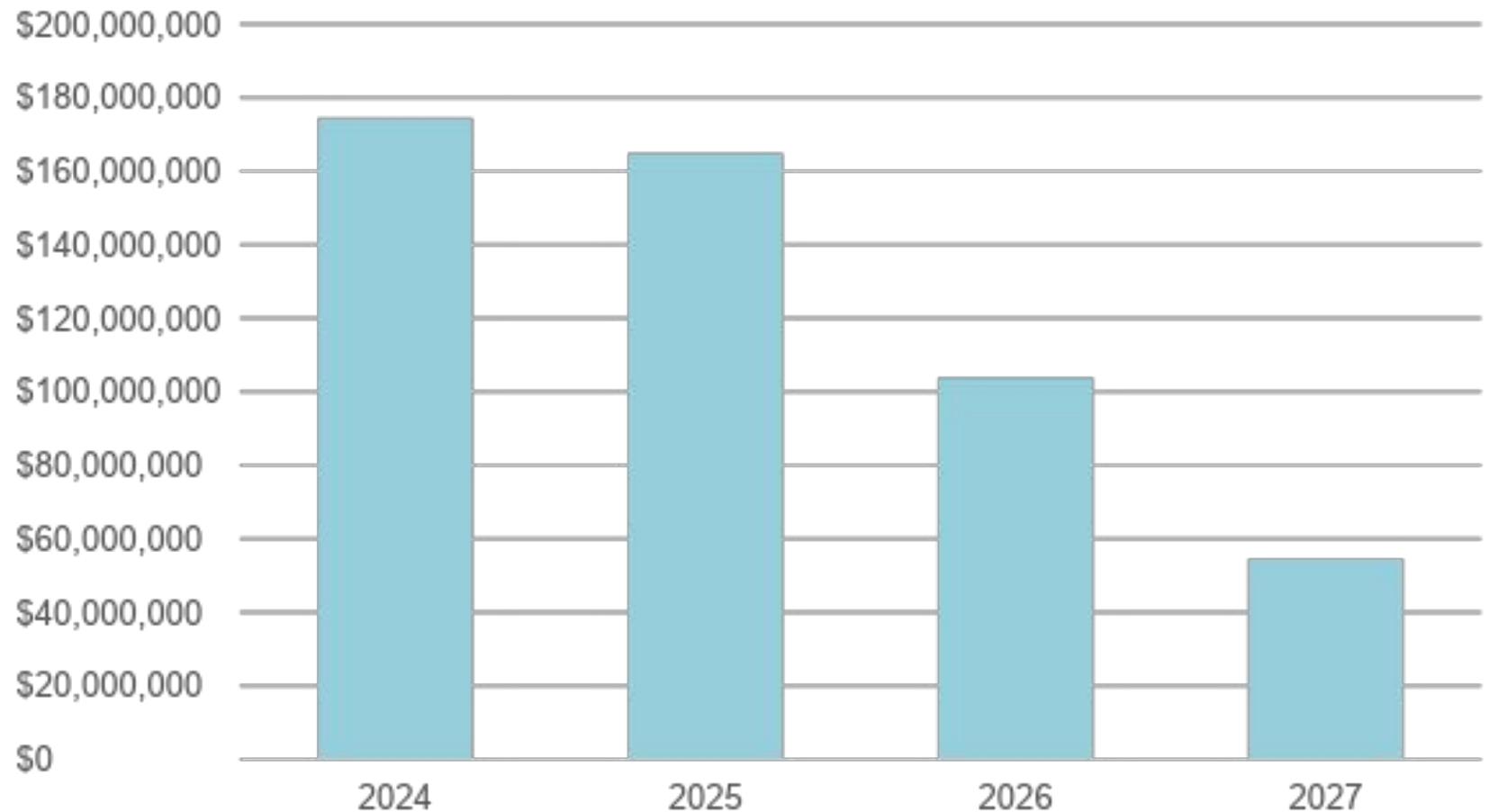
Cohort	Total Employees	Uptake
Currently In SG Market	248,328	100%
Offer of Employer Coverage and not Accepted	118,556	15%
No Employer Offer of Coverage	265,674	10%
Total	632,558	292,671

Projected 2024 SG Gross Premium PMPM	\$598
SG Subsidy Percentage	10%
Post-Subsidy Premium PMPM	\$538
Employer Contribution Rate	50%
Employee Net Premium PMPM	\$239
Subsidy PMPM Cost	\$60
Projected 2024 SG Subsidy Cost	\$174,464,709

1.A. 10% Small Business Premium Reduction – All Small Groups (cont.)

- Subsidy cost scales with premium trend (assumed 5%)
- Employer participation expected to decline after two years due to expiration of tax credit
- Not feasible due to size of current small group market. One year cost in 2024 for just firms already participating in the small group market would be ~\$150M.

10% Small Group Subsidy - All Small Groups



1.B. 10% Individual Market Premium Reduction – All Small Groups

Scenario 1- All small businesses in Maryland with and without a small group plan offering

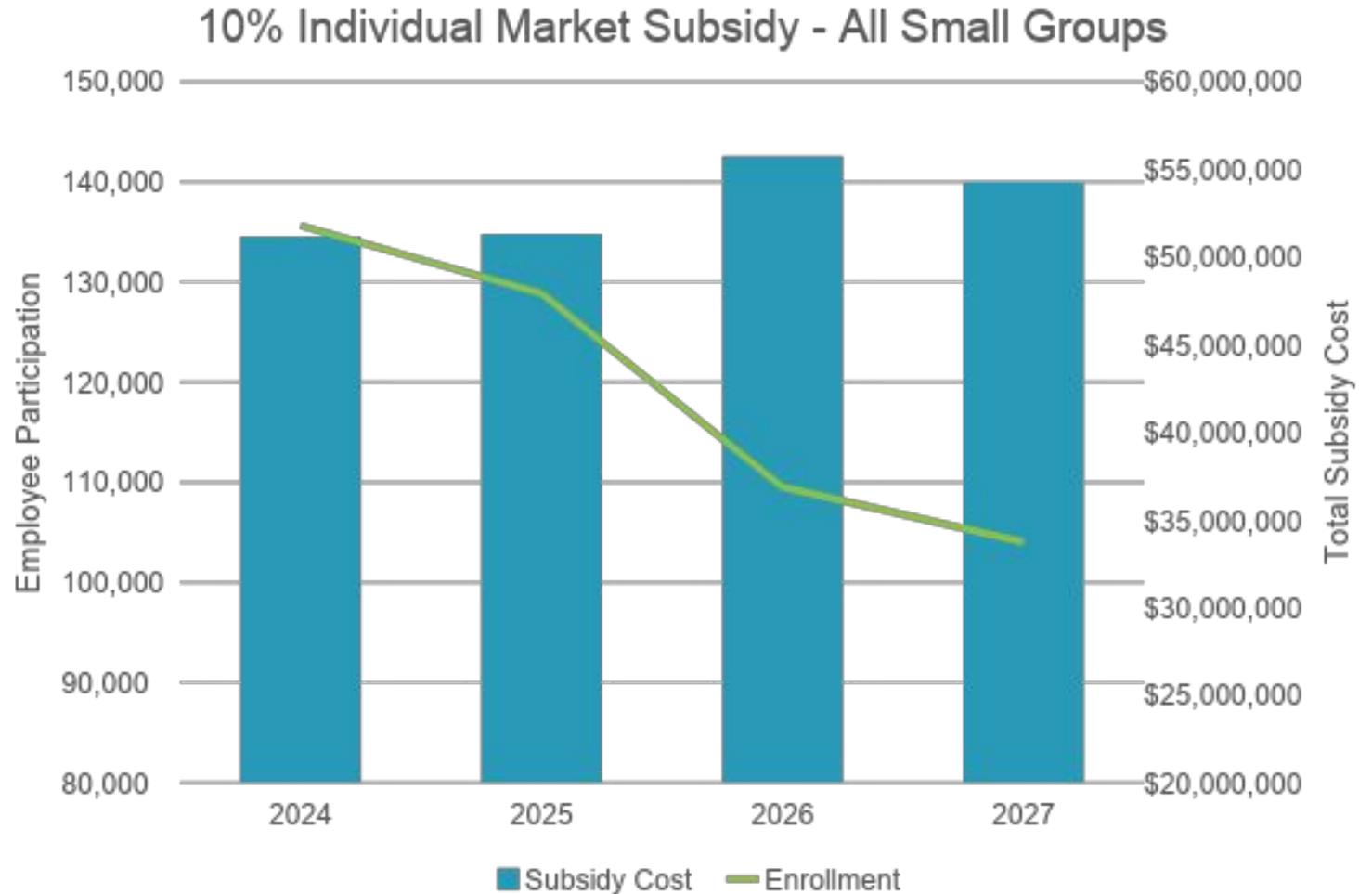
- Option B - 10% reduction to Individual market premiums after APTC
- No expected enrollment from those currently participating in small group market
- 10% reduction will have limited impact on those who had an employer offer of insurance but declined coverage
- Significant number of those with no employer offer but with coverage elsewhere are expected to already be covered in the Individual market.
- Enrollment from uninsured projected to be low

Cohort	Population	Uptake
In SG Market	248,328	0%
Offer of Employer Coverage and not Accepted	118,556	5%
No Employer Offer of Coverage	265,674	49%
Total	632,558	135,656

Premium Assumptions	2024
Average 2024 Ind Net Premium after APTC	\$378
Subsidy Amount	10%
Net Premium with SG Subsidy	\$340
Subsidy Cost to State PMPM	\$38
Projected 2024 Ind. Market Subsidy Cost	\$51,182,920

1.B. 10% Individual Market Premium Reduction – All Small Groups (cont.)

- Assumes average age of 45 and income 350% of federal poverty level
- Significant portion of the subsidy is projected to go to those currently covered in the Individual market. Enrollment from either uninsured or covered outside the Individual or Small Group market is projected to be low given the subsidy level.
- Projected to be healthier than average existing enrollee.



2.A. 20% Small Business Premium Reduction – <10, No Offer

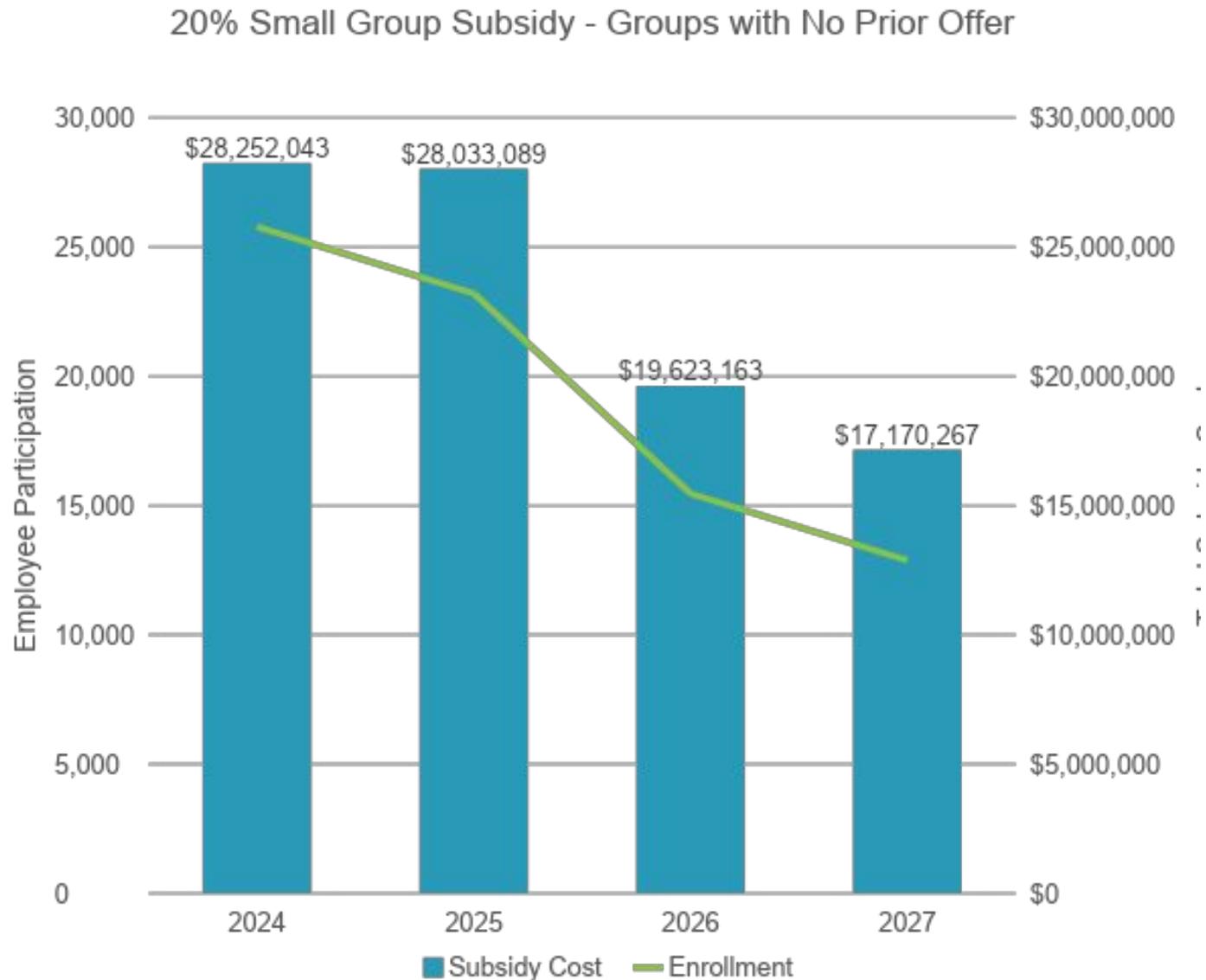
Scenario 2- Small businesses in Maryland with under 10 employees with no small group plan offering in the past 12 months.

- Option A - 20% reduction to small group premium
- 29% of firms who previously did not offer insurance coverage are projected to begin offering after the introduction of the subsidy
- Expected employee participation is 60% after new offer of coverage from their employer. Total new employee participation is 17% (29% x 60%)
- Plan selection for this cohort is expected to lean toward cheaper options

Eligibility Assumptions	2024
Number of MD employees in SGs of 1-9 Not Offered Coverage	148,986
Employer Uptake After Subsidy Introduction	29%
Employee Uptake From Participating Employers	60%
Employee Participation	25,775
Projected 2024 SG Gross Premium PMPM	\$558
SG Subsidy Percentage	20%
Post-Subsidy Premium PMPM	\$446
Employer Contribution Rate	50%
Employee Net Premium PMPM	\$167
Subsidy PMPM Cost	\$111
Projected 2024 SG Subsidy Cost	\$28,708,173

2.A. 20% Small Business Premium Reduction – <10, No Offer (cont.)

- Employer participation expected to decline after two years due to expiration of tax credit
- Normal lapsation expected to follow recent small group market trends



2.B. 10% Individual Market Premium Reduction – <10, No Offer

Scenario 2- Small businesses in Maryland with under 10 employees with no small group plan offering in the past 12 months.

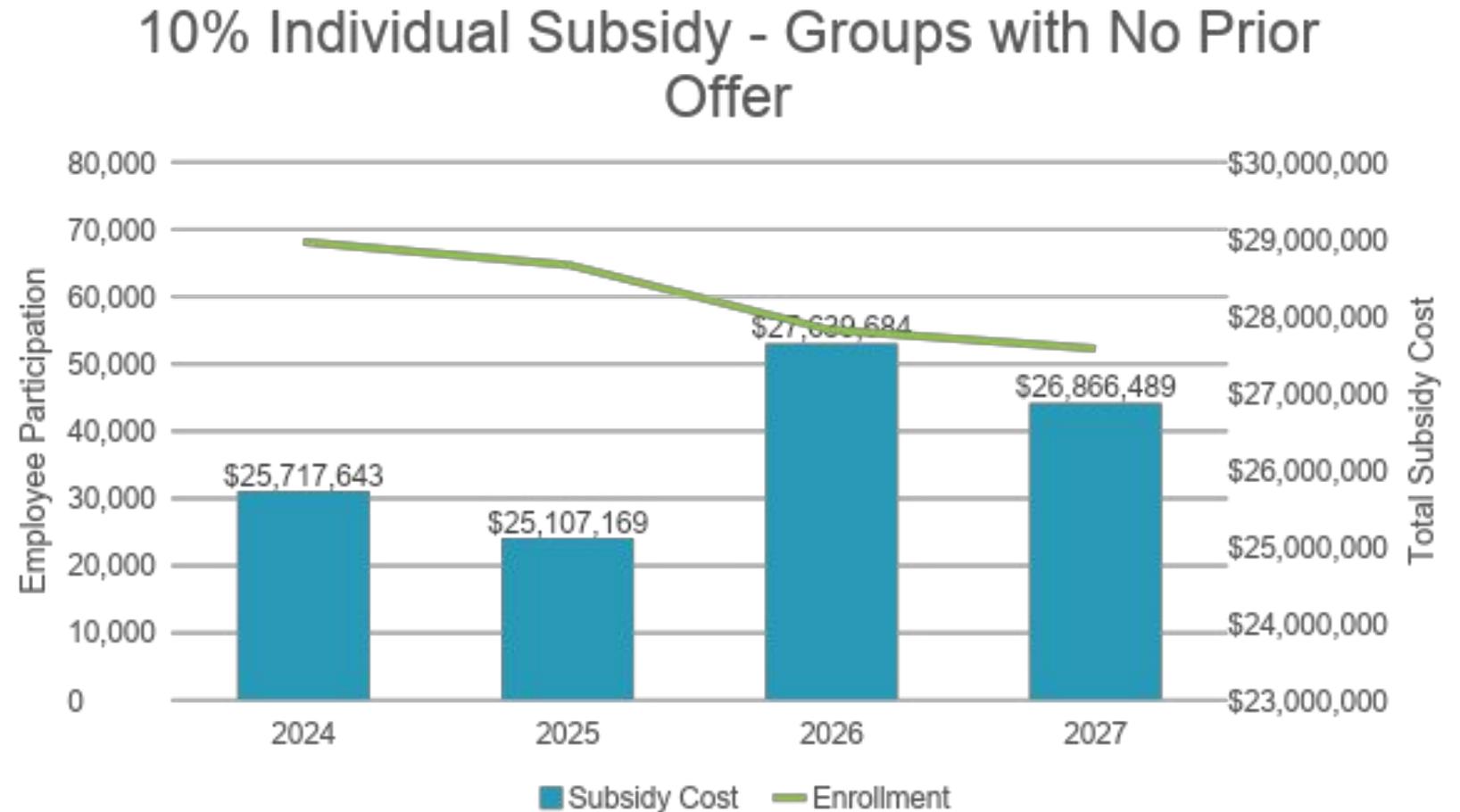
- Option B - 10% reduction to Individual market premiums after APTC
- MD uninsured rate for employees in groups less than 100 was 17% in 2021. Assumed uninsured rate of 45% for this cohort as the rate of offering insurance declines with group size.
- Enrollment from uninsured projected to be low
- Significant number of those who are not uninsured are expected to already be covered in the Individual market as they do not have an offer from an employer

Cohort	Population	Uptake
Uninsured	67,044	10%
Other Insurance	81,942	75%
Total	148,986	68,161

Premium Assumptions	2024
Average 2024 Ind Net Premium after APTC	\$378
Subsidy Discount	10%
Net Premium with SG Subsidy	\$340
Subsidy Cost to State PMPM	\$37
Projected 2024 Ind. Market Subsidy Cost	\$25,717,643

2.B. 10% Individual Market Premium Reduction – <10, No Offer (cont.)

- Assumes average age of 45 and income 350% of federal poverty level
- New entrants are projected to be healthier than average existing enrollee.
- Expected increase to 2024 reinsurance costs is \$2M



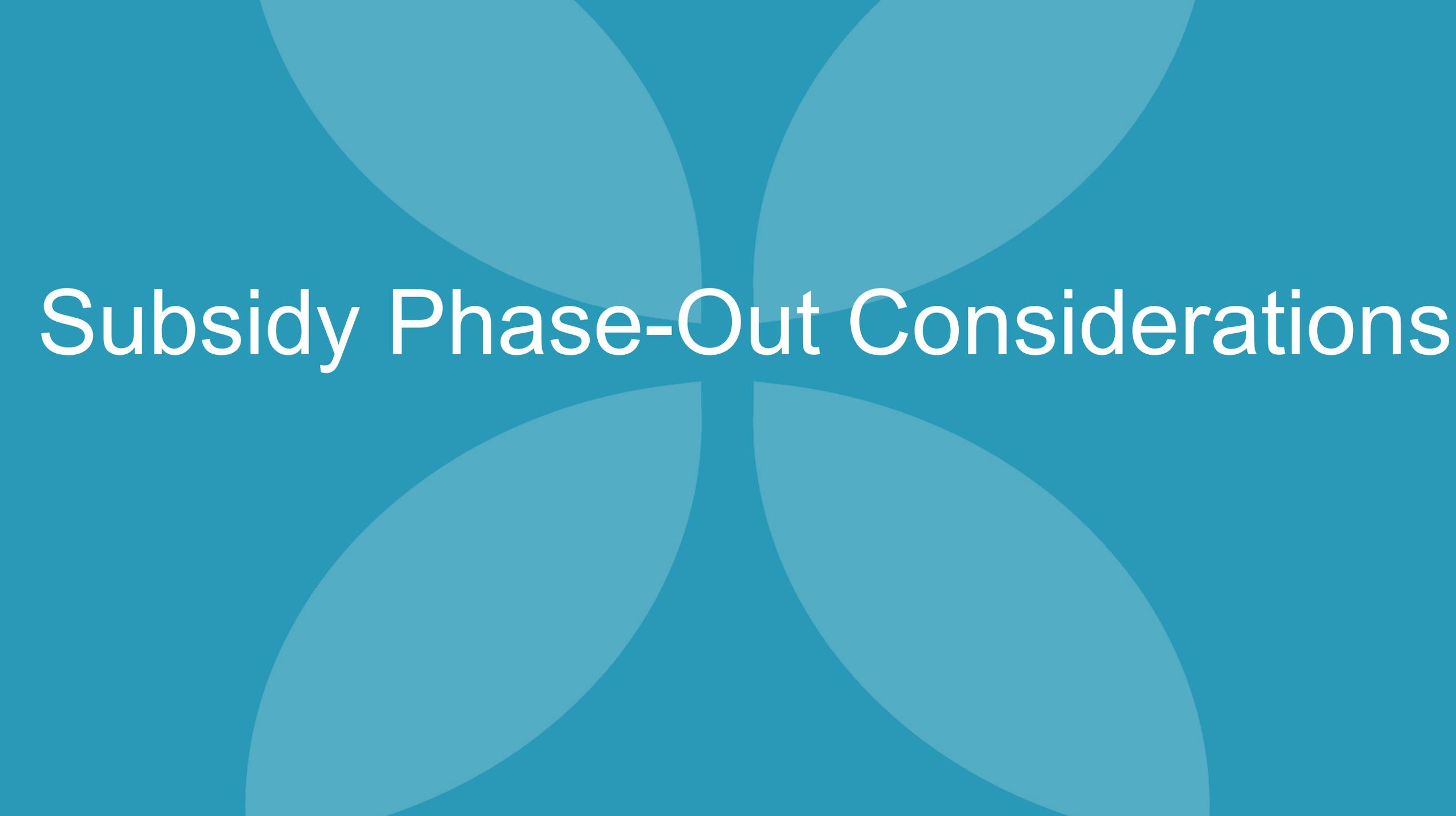
Cost Comparison Chart Across Scenarios

Scenario	Subsidy %	Employee Uptake	Subsidy Cost PMPM	Total Cost
1.A: All small groups	10%	292,671	\$60	\$174,464,709
1.B: All small groups	10%	135,656	\$38	\$51,182,920
2.A: <10, no offer	20%	25,775	\$110	\$28,708,173
2.B: <10, no offer	10%	68,161	\$38	\$25,717,643

Implementation & Administration Cost Projection

- ❖ Discussing MHBE implementation costs internally
 - IT
 - Marketing & Outreach
 - Training

- ❖ Carriers
 - IT
 - Staffing



Subsidy Phase-Out Considerations

2-Year Phase-Out Plan: 20% SG Subsidy Reduction Program

- Scenario 2.A: <10, no offer

-30% annual subsidy reduction over a two-year span starting in 2024

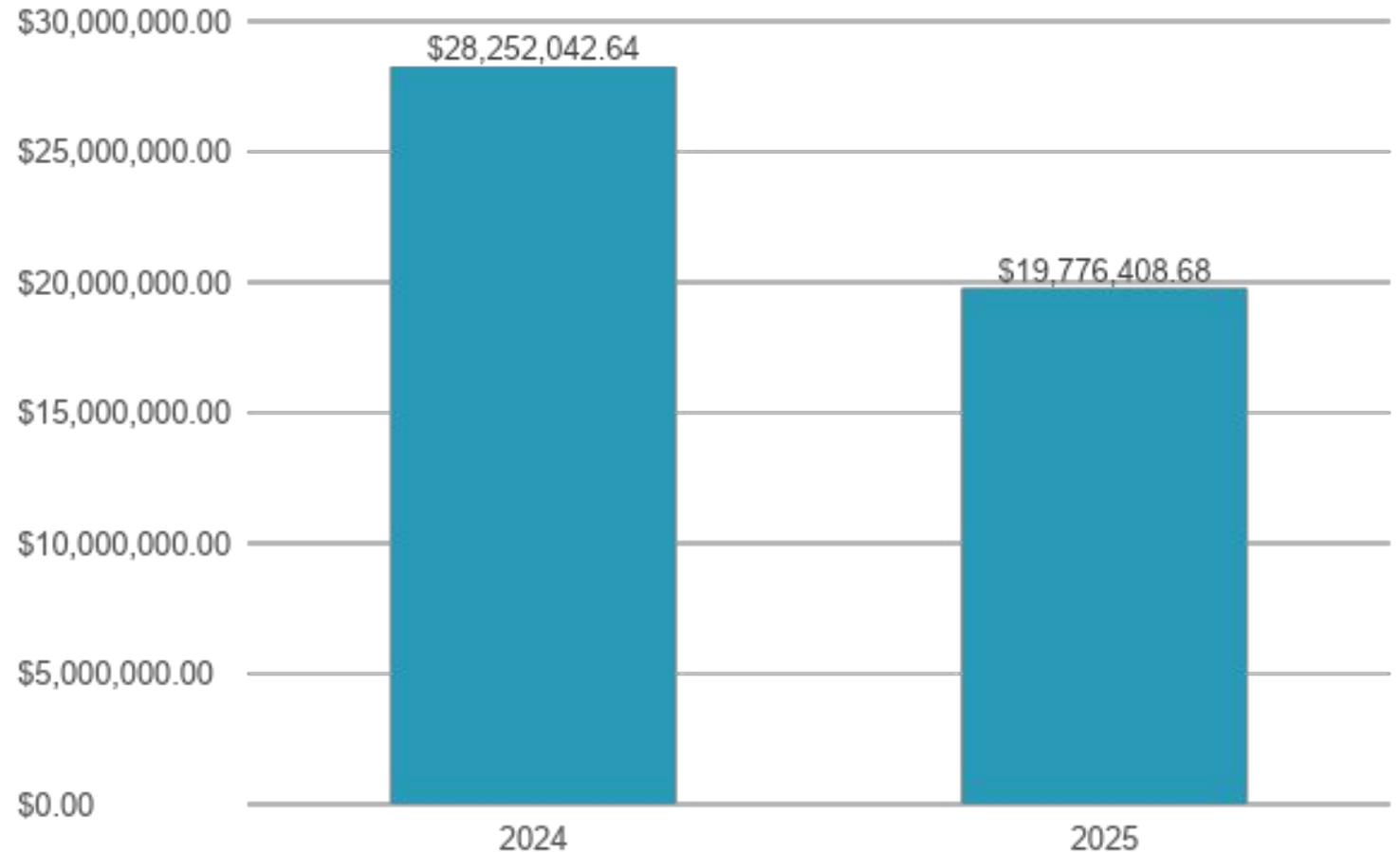
-Total 2-year program **\$48,028,121**

-Subsidy would need to decrease to 14% to meet 30% target.

-Soft landing for small businesses who took advantage of the subsidy program

-Connect Small Businesses with other available programs

Small Group Subsidy Reduction 2-Year Phase Out



4-Year Phase-Out Plan: 20% SG Subsidy Reduction Program

- Scenario 2.A: <10, no offer

-Reduce subsidy amount by 4% per year

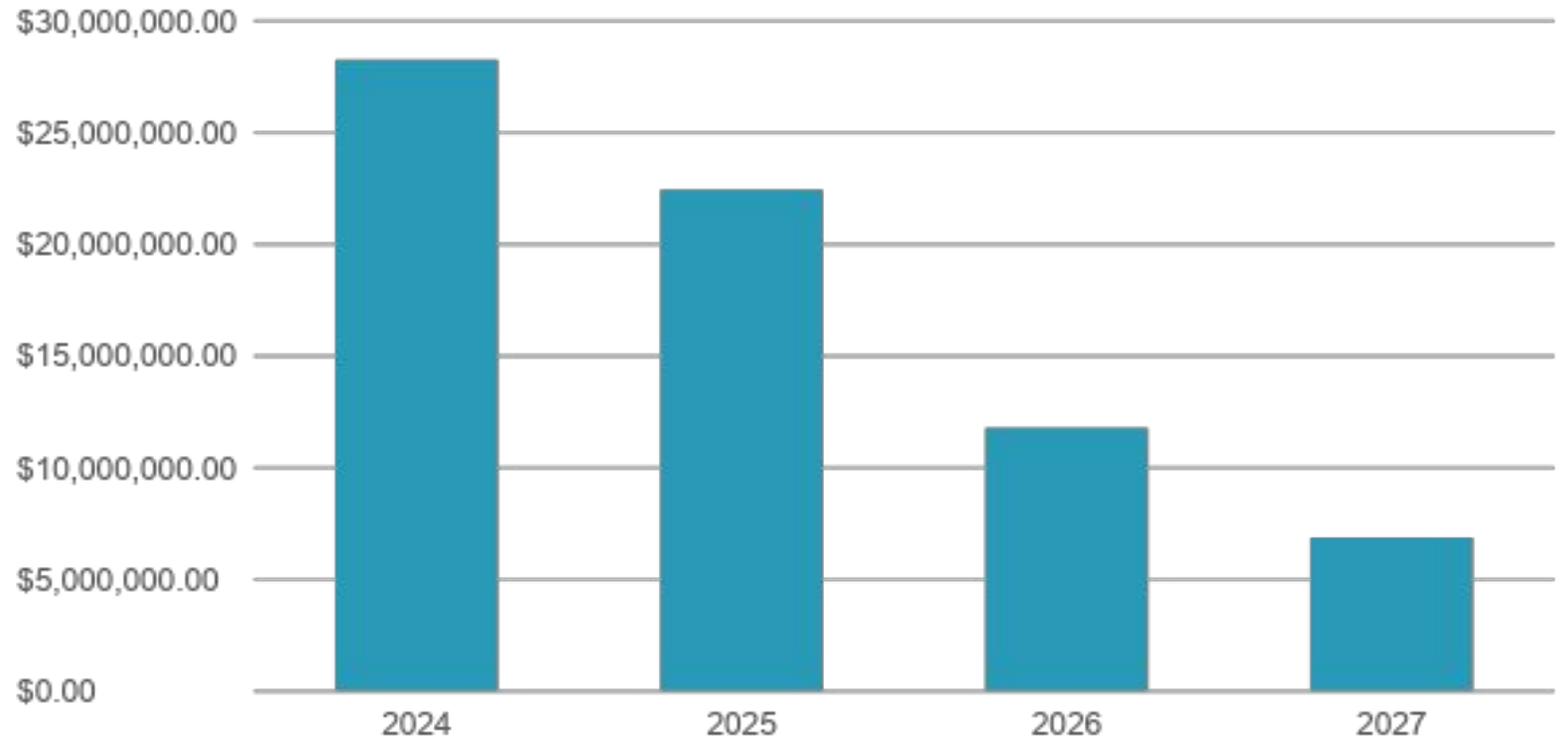
-Total 4-year program
\$69,320,518

-25% total cost reduction

-Soft landing for small businesses who took advantage of the subsidy program

-Connect Small Businesses with other available programs

20% SG Subsidy Reduction 4-Year Phase Out



2-year Phase-Out Plan: 10% Individual State Subsidy Program

-Scenario 2.B: <10, no offer

-20% subsidy budget reduction over a two year span starting in 2024

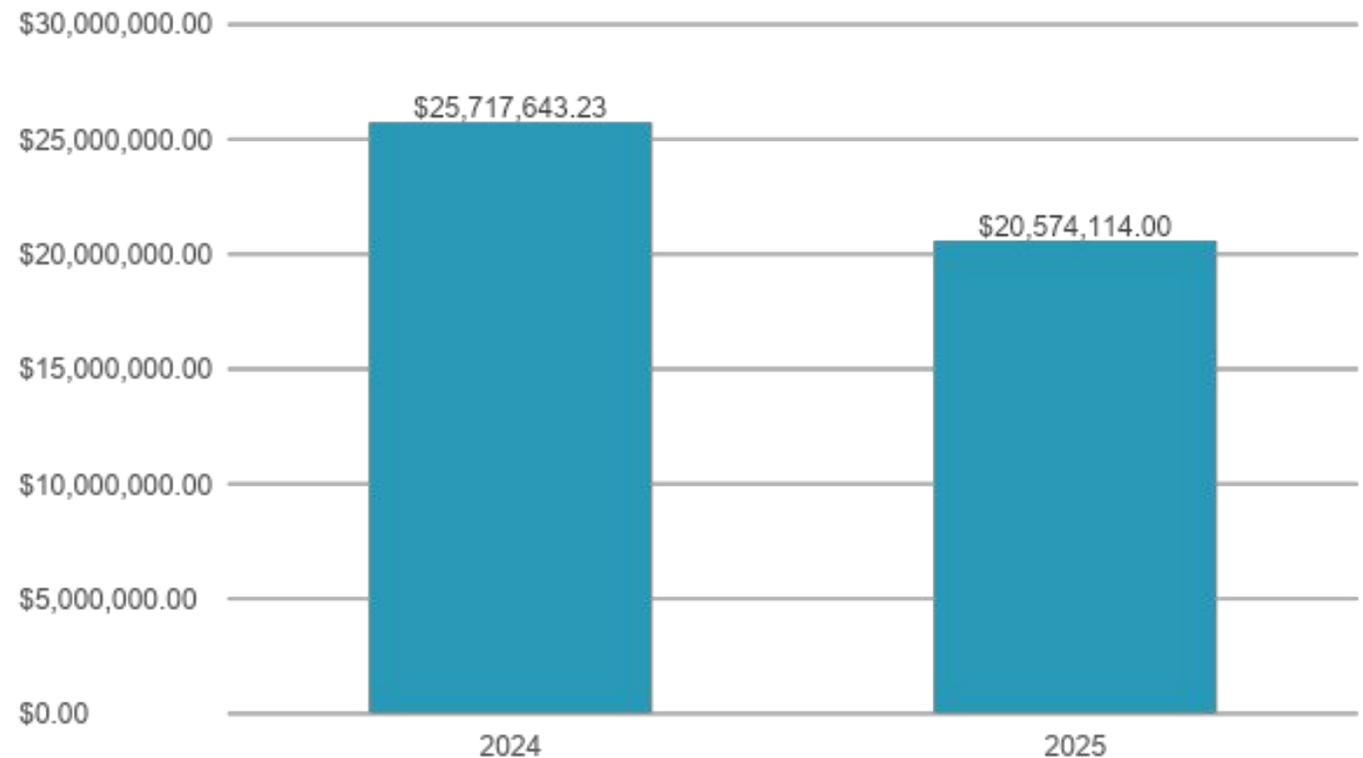
-Total 2 year program **\$46,291,757**

-Subsidy would need to decrease to 8% to meet 20% target

-Soft landing for Small Businesses who take advantage of the subsidy program

-Connect Small Businesses with other available programs for their employees

10% Individual Subsidy Reduction 2-Year Phase Out – 20%

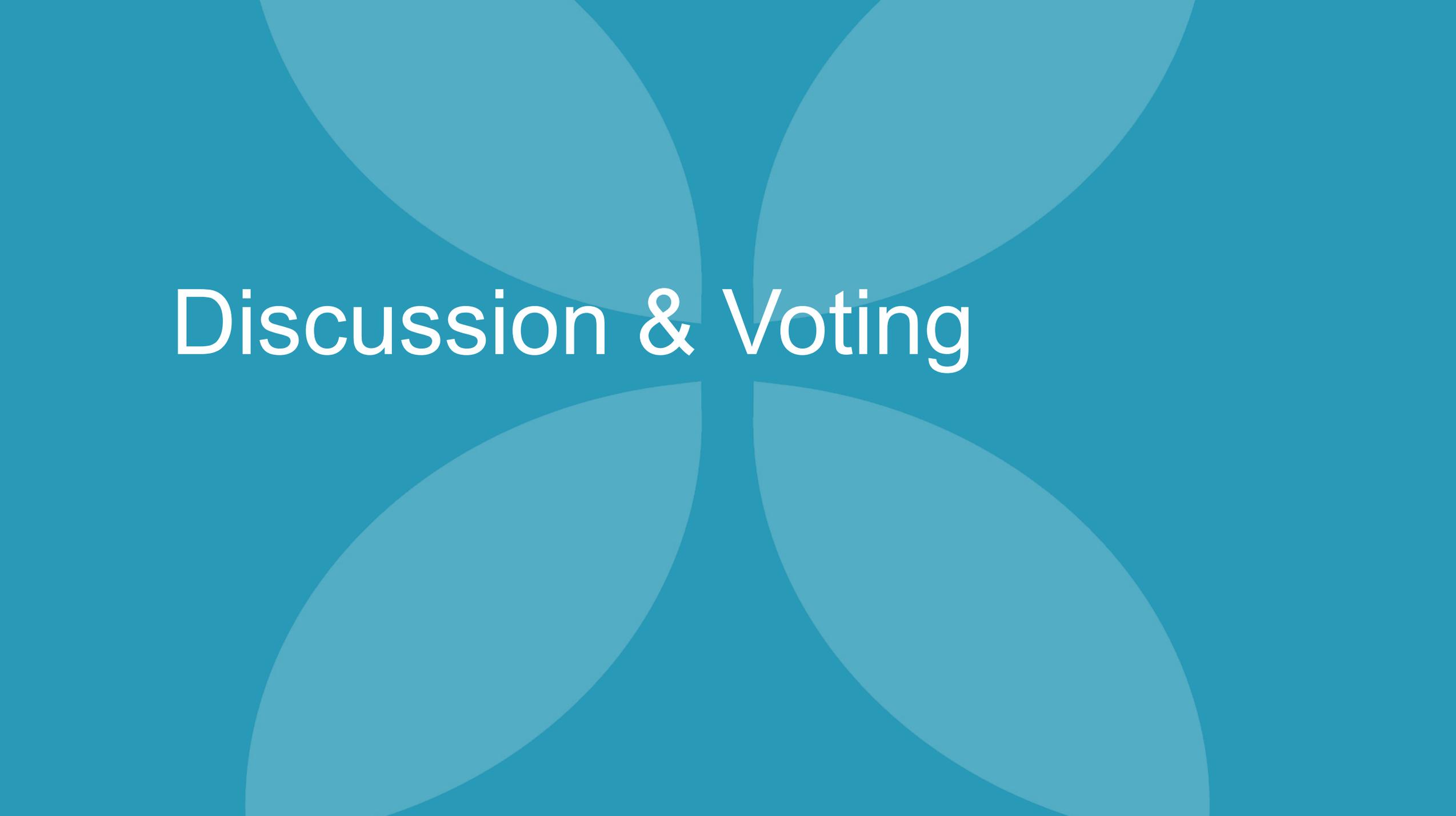


Actuarial Considerations

- Impact of offering small group coverage to those already in Individual market
- Consider a minimum employer contribution to avoid premium disruption
- Lower participation from contribution requirement would reduce total costs and allow for richer subsidy.
- Impact on current Individual market reinsurance program.
- Enhanced subsidies set to expire in 2026.

Cost Comparison Chart Across Scenarios

Scenario	Subsidy %	Employee Uptake	Subsidy Cost PMPM	Total Cost
1.A: All small groups	10%	312,073	\$60	\$174,464,709
1.B: All small groups	10%	135,656	\$38	\$51,182,920
2.A: <10, no offer	20%	25,775	\$111	\$28,708,173
2.B: <10, no offer	10%	68,161	\$38	\$25,717,643



Discussion & Voting

Discussion

- Which option do you recommend?
- Additional considerations for us to note?
- Anonymous voting- will open poll for anonymous voting at the end of this discussion



Marketing & Awareness Plans

Marketing of Subsidy Program

- Carriers & TPAs may add to existing brochures targeted to small businesses and Producers
- Information on MHBE small businesses materials and website to promote program
- Small Businesses word of mouth
- Maryland based Chambers distribution lists and events
- Host informational sessions

Small Businesses Outreach Program with MHBE -**new!**

New Mexico Awareness Material

- Example of NM initiative awareness material
- Post marketing flyers and brochures on state websites
- Provide marketing collateral at Open Enrollment events



Office of the Governor

MICHELLE LUJAN GRISHAM



NEW MEXICO'S SMALL BUSINESS HEALTH INSURANCE PREMIUM RELIEF INITIATIVE

In 2021, Governor Michelle Lujan Grisham signed a law that created a Health Care Affordability Fund to reduce health insurance costs for 1) most individuals and families who don't have job-based coverage or public insurance and 2) small businesses. The New Mexico Office of Superintendent of Insurance (OSI) is in charge of implementing the new law.

Beginning July 1, 2022, OSI will provide premium relief for small businesses in New Mexico. The reduction will be automatically applied if the business is enrolled in a health plan that qualifies.

The New Mexico State Legislature approved the Governor's proposal to reduce health insurance premiums for small businesses by 10 percent. The initiative will deliver immediate relief to small businesses during a critical moment of New Mexico's economic recovery.

10% PREMIUM REDUCTION FOR SMALL BUSINESSES STARTING JULY 1, 2022

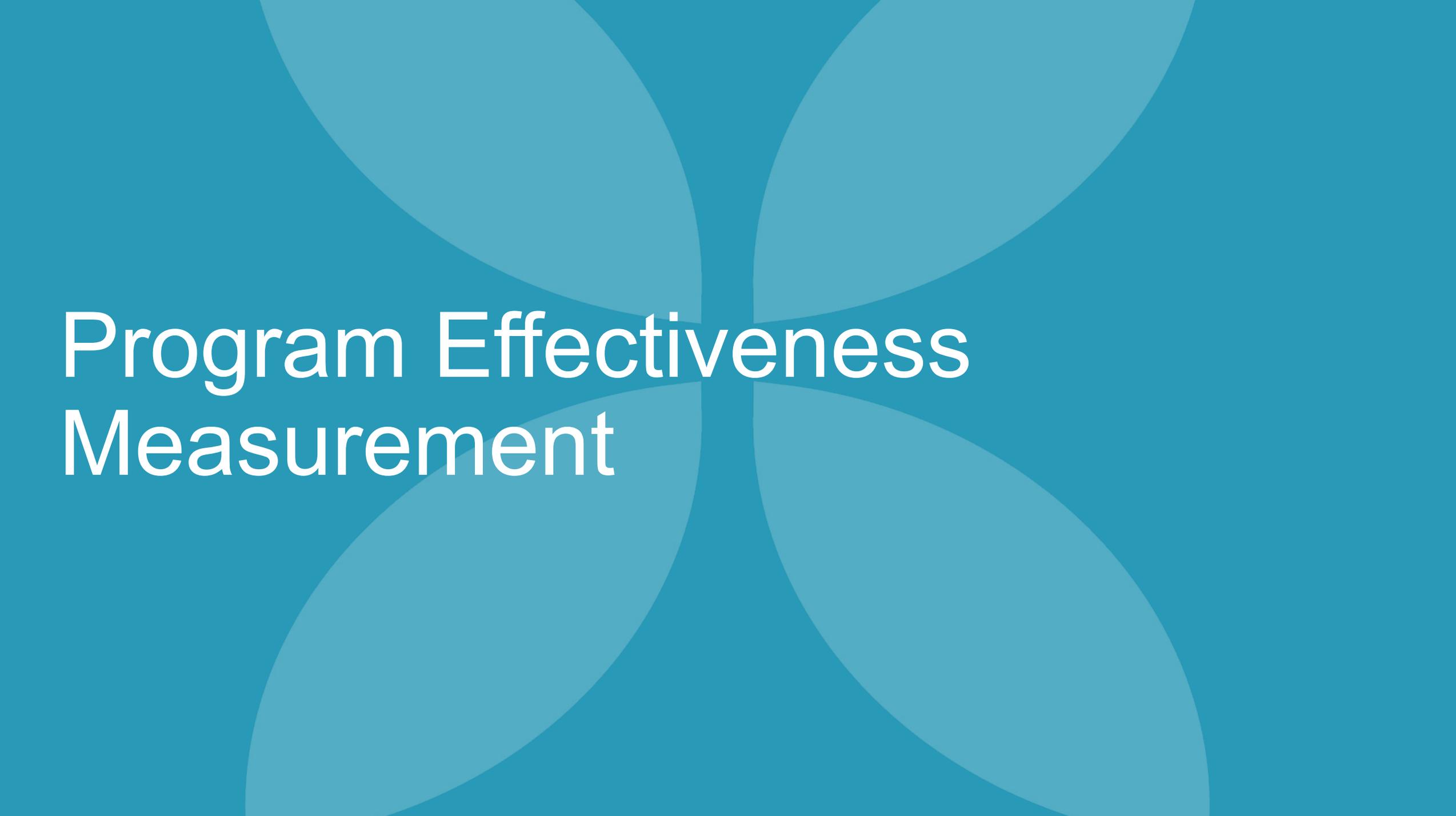


45,000

NEW MEXICANS ARE CURRENTLY ENROLLED IN A HEALTH PLAN THAT QUALIFIES

TRANSPARENCY & ACCOUNTABILITY

To make sure businesses and their employees benefit, health plans must notify businesses of the initiative, regularly report data about the initiative to the state, and have premium rates reviewed annually by the New Mexico Office of Superintendent of Insurance.



Program Effectiveness Measurement

Measure program success

What information is necessary to measure program effectiveness?

1. Goals to measure program success year over year
 - a. number of businesses offering an employer-sponsored health insurance plan using the subsidy
 - b. Number of uninsured individuals entering an employer-sponsored plan

Ex: By the end of the program period, an estimated xx small businesses would have insured xx employees in Maryland

2. Collect data in the following areas:
 - a. number of small businesses that apply for subsidy
 - b. # of small businesses approved for subsidy & amount of subsidy
 - c. Subsidy amount applied to individual or group premium

Next Steps

- Provide a draft of report due to legislature at next meeting

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Public Comment

Next meeting: September 6, 2022

Appendix

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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*

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:¹
 - < 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:²
 - 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^{3,4}
 - In Maryland, 121 active groups with 651 covered lives as of April 30, 2022⁵

² ACA §1421; 26 USC § 45R(b)

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

⁴ CMS. (May 15, 2017). *The Future of SHOP*.

⁵ 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 2016⁵
 - Many states prioritized staff time and resources for the individual market over SHOP⁶
 - Many businesses were unaware of the tax credit or were deterred by:
 - The upper limit on salaries⁷
 - The limited (two year) availability of the tax credit
 - The paperwork burden⁸

^{5, 6} 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*

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

⁸ [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.⁹
 - 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 insurer¹⁰
 - Insurer participation (and, consequently, plan availability) has been limited
 - In over half of states, no insurers were offering SHOP plans as of plan year 2020¹¹

⁹ 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)

¹⁰ CMS. (2021, October 25). Marketplace 2022 Open Enrollment Fact Sheet

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

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?

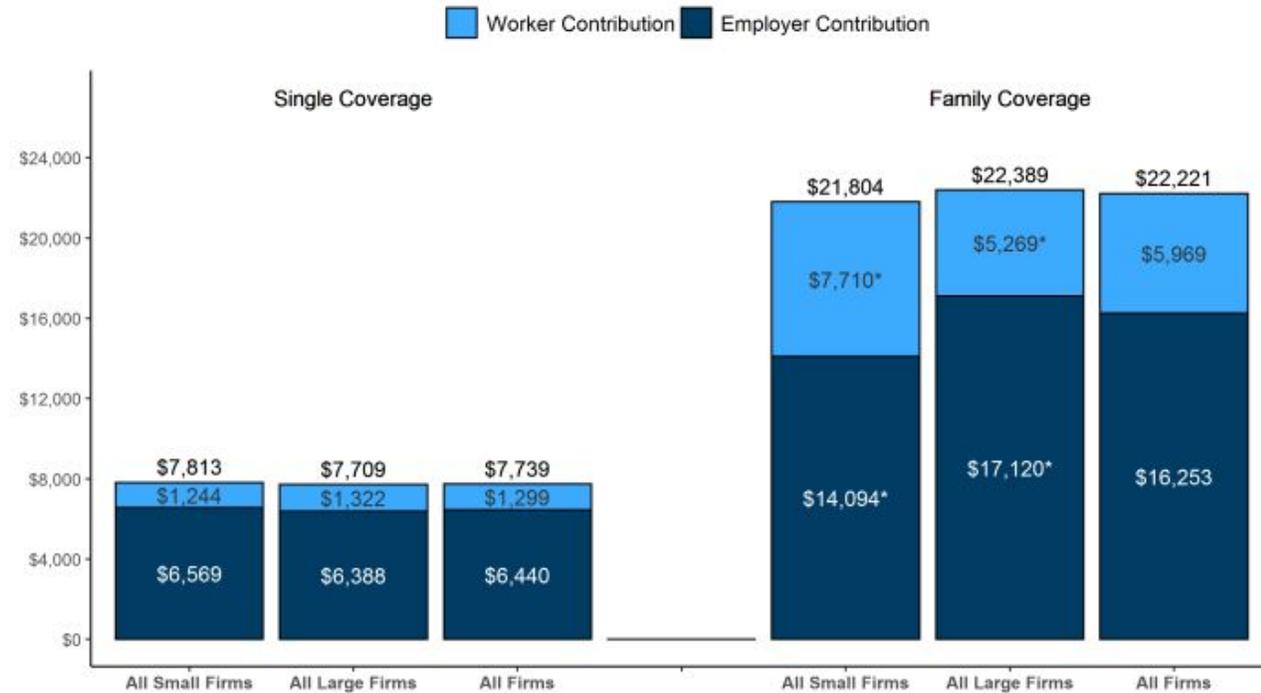
- **2014** “Direct enrollment” process • Employer choice model only • Exchange determined employer eligibility to participate in SHOP program • Exchange reported enrollment information to CMS and IRS • **Brokers** worked directly with carriers and/or third-party administrator to sell SHOP certified plans.
- **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

Average National Premiums and Employer Contributions for Firms of 3-199 Workers

- In 2021, the average annual premium for employer-sponsored health insurance in firms of 3-24 workers was about \$8,000 for single coverage and \$21,500 for family coverage.
- On average, employees in firms with 3-199 workers paid 17% (\$1,200) of the premium for single coverage and 37% (\$7,700) for family coverage. Employers paid an average of \$6,600 and \$14,000, respectively.

Figure 6.7
Average Annual Worker and Employer Premium Contributions and Total Premiums for Single and Family Coverage, by Firm Size, 2021



* Estimate is statistically different between All Small Firms and All Large Firms estimate ($p < .05$).

NOTE: Small Firms have 3-199 workers and Large Firms have 200 or more workers.

SOURCE: KFF Employer Health Benefits Survey, 2021

Subsidize Traditional Small Group Employer Sponsored Plans: Considerations



Advantages

- Employer can offer Employer/Employee Choice plans which include multiple plan designs or a single plan design
- Employer's share eligible for tax deductible business expense
- Value-add to small businesses from carriers (wellness program incentives)
- Provides employers competitive advantage for top talent
- Network availability
- Broader plan selection available compared to individual plans
- Discounts on add-on ancillary benefits such as dental, vision, life/disability
- Workers' Compensation premiums decrease
- Carrier provides administrative support although frequently provided by the Producer (enrollment communications, contracting, payroll deductions help)
- Employers able to claim SHOP tax-credit

Disadvantages

- Employees are usually subject to the Employer's selection of benefits (usually 1 or 2 plan designs, 1 carrier)
- Higher cost of premium compared to individual plans
- Eligibility guidelines/requirements cumbersome for employers (participation, waivers, etc.)
- Employees lose APTC if they have an offer of affordable employer coverage



Additional State Premium Subsidy



Advantages

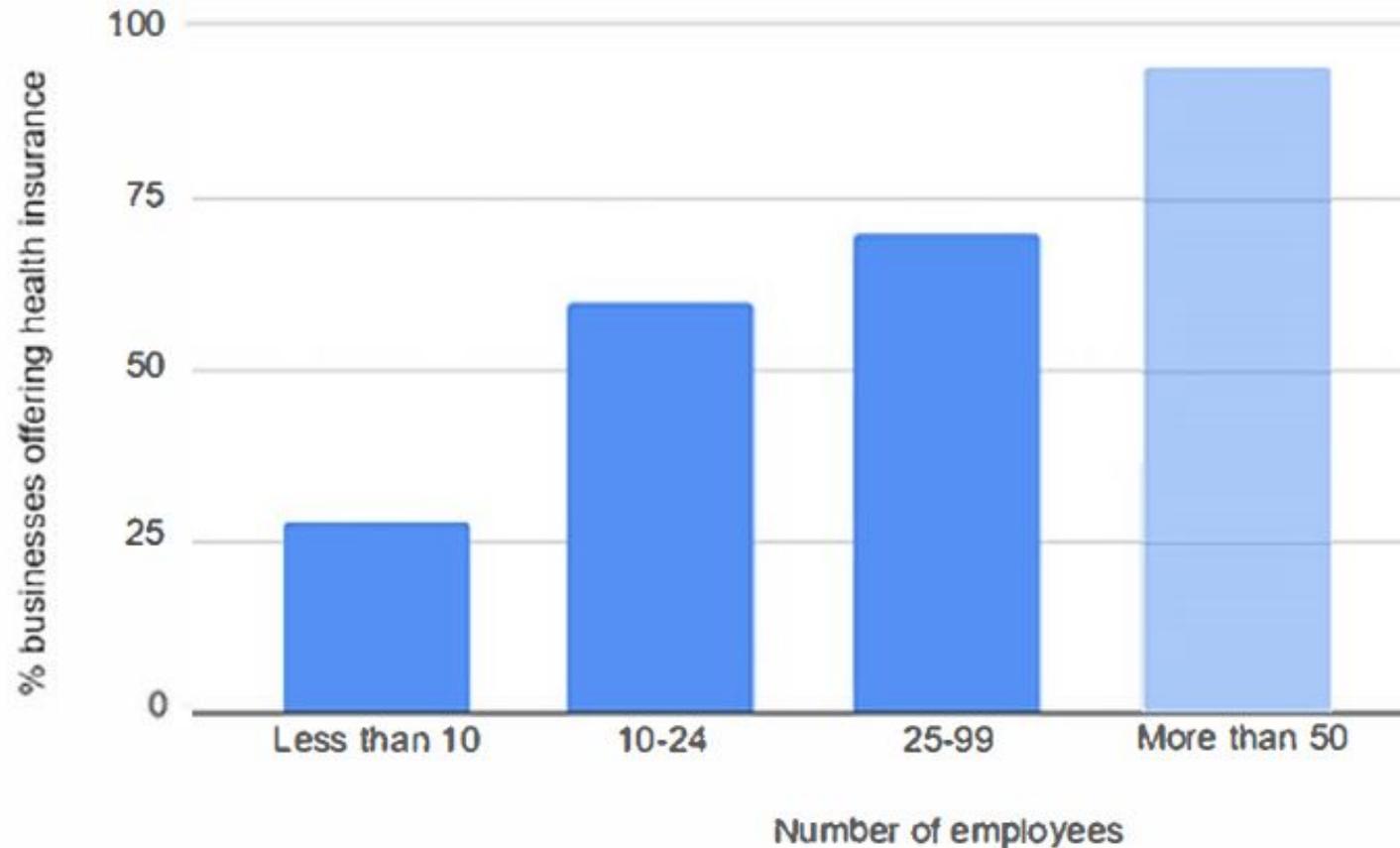
- Employees gain additional subsidy to buy an individual plan
- No impact to APTC
- Employee can combine APTC with small employer subsidy which means fewer state dollars could:
 - cover more uninsured individuals
 - expand eligibility criteria so that more small employers can participate
- Plan selection options offered on exchange- not limited to employer's plan
- More affordable than traditional small group plans
- Potential longevity of subsidy program
- Efficiency of subsidy decreasing number of uninsured individuals
- Existing infrastructure simplifies implementation for small businesses and MHBE

Disadvantages

- Small Business owners have limited control over what plans are offered
- Small businesses do not gain direct financial benefit from the subsidy
- Additional subsidy could present tax implications for employee
- May be a less effective recruitment tool for small businesses compared to a traditional group plan
- Employee loses value-adds that currently exist with traditional group plans
- Not available outside of Open Enrollment and Special Enrollment Period
- Employer cannot claim SHOP tax-credit



Percent of Businesses Offering Health Insurance by Number of Employees



Agency for Healthcare Research and Quality. (2020). Center for Financing, Access and Cost Trends: 2020 Medical Expenditure Panel Survey - Insurance Component [tia2.pdf \(ahrq.gov\)](#)

Note: This dataset does not offer a breakdown for 26-50 employees or 51-99 employees. It only specifies the categories illustrated above.