MHBE

Small Business and Nonprofit Health Insurance Subsidy Workgroup Session 2

July 26, 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
Dana Davenport
Jason Kowalski
Sandy Walters
Henry Nwokoma
David Brock
Allison Mangiaracino
Janet Ennis
Stephanie Klapper

Staff:
Becca Lane
Johanna Fabian-Marks
Makeda Hailegeberel

Members of the Public:
Matthew Celentano
Connie Peterson
Carol Long
Cindy
Anne Vicari
Jay Stockham
Missy Davis

Welcome
Johanna Fabian-Marks welcomed attendees to the meeting.

Follow-Ups from Session 1
Ms. Fabian-Marks shared the results of the forms sent out after the last meeting, the charter for the workgroup was approved, and Jon Frank and Rick Weldon were selected as its co-chairs.

She also shared updates clarifying and supplementing the data shared in the last meeting. She stated that available data sources do not allow for estimation of the characteristics of uninsured people who work for small businesses, although data exists separately for small businesses and for the uninsured.

She clarified that within the data on Maryland small businesses by industry shared at the last meeting, nonprofit organizations are classified within “Other Services.” She also shared a dashboard displaying data on Maryland's uninsured population and a graph showing the distribution of employees in Maryland nonprofits by field.

Ms. Fabian-Marks shared a sample quote for a Gold Health Maintenance Organization in Annapolis, noting that in this sample scenario the employer covers 50% of employee-only coverage and does not provide dependent coverage.

Individual and Small Group Enrollment and Premium Data
Ms. Fabian-Marks reviewed data on enrollment in the individual and small group market. Individual enrollment grew 27% from July 2019 to March 2022, total Affordable Care Act enrollment grew 7% during that time period, and small group enrollment fell 8%.

Individual premium rates increased significantly on average from 2016 to 2018 before declining between 2019 and 2021 due to the reinsurance program and experiencing moderate growth in 2022. In contrast, small group rates increased moderately every year from 2016 to 2022. Average premiums in the individual market have fluctuated over time but were 18% below the small group average in 2021. The American Rescue Plan Act increased federal premium subsidies and eliminated the income cap on subsidy eligibility.

Program Goals; Design Questions and Considerations
Ms. Fabian-Marks reviewed the workgroup's objectives and presented possible goals for a subsidy program: to reduce the cost of offering insurance, even for the businesses already offering insurance, and to reduce the number of uninsured individuals. The latter goal could be accomplished by incentivizing small group plans either to offer small group plans or to connect their employees to individual market coverage.

Ms. Fabian-Marks shared several considerations for the design of a potential subsidy: the goals of the program, its target population, the total subsidy cost and availability of funding, the duration of the program, the implementation cost and burden (for the state, carriers, and producers), and the ease of access for employers.

Ms. Fabian-Marks shared with the workgroup two models that other states are using. The first is the Maine Small Business Health Insurance Premium Relief Program, a fixed credit based on the enrollee type (child or adult), funded through federal COVID relief funds, and set to expire in 2023. Employers are required to pass along a portion of savings to their employees, and the credit is automatically applied to employer invoices, requiring no further action for receipt of the credit.

New Mexico is the only other state currently offering a small business premium subsidy. This year, they are launching an initiative providing a 10% premium reduction across the board for small businesses. The public materials make it clear that the program will depend on receiving funding each year from the legislature. Like Maine, the credit is automatically applied to employer invoices and is administered on the back end between the state insurance department and the carriers.

More details on the state models shared is available in the presentation for this meeting. Ms. Fabian-Marks noted that both of these programs target small employers broadly for economic development rather than trying to reach the uninsured specifically, although this could occur as a side effect. She then reviewed information on the Maryland Health Insurance Partnership, pointing out that, in contrast to New Mexico and Maine, this program was specifically targeted, focusing on micro businesses with low to moderate employee wages.

Ms. Fabian-Marks also presented 2 types of Health Reimbursement Arrangements (HRAs) that could leverage the individual market to offer a subsidy to small business employees: Qualified Small Employer HRAs and Individual Coverage HRAs. In these arrangements, the employer contributes money that is not subject to payroll taxes, and the individual can use it to buy individual market coverage. However, these introduce the complication wherein employer contributions through an HRA can qualify as an affordable plan being offered to the employee, which disqualifies the employee from receiving Advance Premium Tax Credits (APTCs). Some employees may be better off without their employer offering them this type of plan. Higher income employees may be better off with an HRA, however, because they would likely not receive much from APTCs. These HRAs could be implemented by reimbursing employers for their contributions to these HRAs or having a match requirement from the employer for the state funds.

Ms. Fabian-Marks also shared a direct state premium subsidy as another potential model. The subsidy would only be available to small business employees purchasing coverage on the individual market. The concept is similar to the young adult subsidy program MHBE currently offers. She stated that small employers could register with MHBE and be determined eligible, after which their employees would be able to identify that they work for one of the registered employers when they are enrolling in individual coverage, and they would receive the subsidy.

Discussion
Ms. Fabian-Marks presented to the workgroup a list of questions for discussion regarding the design of a potential subsidy. The full list of questions is available in the presentation for this meeting.

Amber Hyde stated that family income is weighed for eligibility determinations on the individual market, while the Small Business Health Options Program (SHOP) and the Maryland Health Insurance Partnership use individual income. She expressed that it would be important to consider which of these models would be followed, as this would affect the level of subsidy that many individuals receive.

Mr. Frank noted that it may be difficult to measure family income through an employer, as the employer is only aware of how much they are paying the employee directly.

Ms. Hyde expressed that it has been a struggle for brokers to bring family income into the eligibility determinations, as it requires employees to be asked about their family income, making for a bad situation for the employee and the employer. Mr. Frank agreed.

Stephanie Klapper asked for confirmation that the directly administered state subsidy similar to the young adult subsidy is the option that would address the program goal of increasing the number of employers connecting employees to individual coverage. She also asked what that subsidy design might look like, noting that some workgroup members seemed interested in exploring that option. Ms. Fabian-Marks responded that the design Ms. Klapper mentioned is an option to leverage the individual market, along with the HRA options. She reiterated that the HRA options do have complications, however.

Sandy Walters asked whether Ms. Fabian-Marks meant that the direct subsidy option would make it simpler for all the federal subsidies such as APTCs to still apply to the individual in comparison to the HRA options. Ms. Fabian-Marks responded in the affirmative, stating that it could operate similarly to the young adult subsidy in that APTC eligibility would be unaffected.

Trina Palmore expressed that she is hoping to raise the amount given to employers for assistance with paying for premiums. She stated that it may be worthwhile to consider how to leverage the composite rating system that exists between carriers and beneficiaries. Mr. Frank stated that, under small group reform, composite rating is not allowed in the Maryland small group market.

Neil Bergsman expressed that there seem to be many advantages to using the direct state subsidy option. He acknowledged that employers may want health insurance to be made cheaper but argued that it may be advantageous to make health insurance cheaper for their employees on the individual market, especially given that federal subsidies would also apply. He urged other group members to offer up any downsides to this strategy if there are any.

Ms. Klapper agreed with Mr. Bergsman, noting that combining a state subsidy with APTCs may help cover more uninsured individuals than if the state subsidy is the only subsidy helping employees. She noted that there could be unintended consequences she has not considered.

Mr. Walters commented that one downside may be that the businesses who have been clamoring for change to make healthcare more affordable may not qualify for a subsidy aimed at very small businesses, as they are too large. He addressed the subsidy design questions that Ms. Fabian-Marks presented, stating that the goal should be to get as many people insured as possible and that the focus should be on businesses with less than 10 employees. He also expressed interest in incorporating a phase-out period where subsidies are decreased gradually each year rather than discontinued all at once. He stated that subsidies should be available on and off the exchange. He expressed that the direct state subsidy option should work well but that a 1332 waiver will be necessary, so the workgroup can recommend that waiver. He stated that there should be an employer contribution, that savings should be passed on proportionally to employees, and that there should not be a minimum number of employees required to participate, following the precedent set by the once-a-year waiver of the participation requirement for the small group that is available currently.

Mr. Frank asked for feedback from carriers regarding the participation requirements, asking whether small employers can count an employee on the individual market as a waiver from the participation requirement. He noted that individual market subsidies are often more advantageous for an employer than providing a small group plan and covering 50% of the premiums for older, high-cost employees. He also asked for feedback from the carriers on whether composite ratings could be incorporated into the small group market, acknowledging that this is unlikely because it would require legislation.

Ms. Palmore asked for clarification on why SHOP would be discontinued. Mr. Weldon responded that setting an end date for a program is a routine legislative practice that allows for later legislation to argue that the program is performing its intended purpose and move to extend it. Mr. Walters agreed, stating that it is a budgetary response. Mr. Frank also agreed, noting that it is a control mechanism for the legislature to revisit approved programs to ensure that they are effective.

Mr. Walters further commented on why federal SHOP subsidies were only for 2 years. He explained that policymakers did not know how much it would cost because more people would join the program, resulting in the program costing too much. For the proposed small business health insurance subsidy program, this could result in the state discontinuing the program. He stated that a viable alternative method is to phase out the amount and slowly take people off the program once they have reaped the benefits and may be able to independently afford a plan.

Ms. Palmore expressed that having an expiration date for a program like this will be a disincentive for people to join in the first place. Mr. Weldon responded that she has a valid point but that it is worth considering the realities of what it will take to get the program passed into law.

Glenn Arrington commented that it is possible to composite rate with one plan across the board at implementation and that he has some clients who do so. For these clients, rates can change throughout the year depending on others who are added to the plan. He also noted that CareFirst does count individuals on the exchange as waivers but that it is a new practice and that many carriers do not engage in this practice. He further stated that some carriers hold lower participation requirements than the standard 75%.

Ms. Fabian-Marks responded to Mr. Walters' endorsement of a direct state subsidy approach and a required employer contribution, stating that there is no way to include an employer contribution requirement for an individual market approach besides the

HRA options. She also expressed that a 1332 waiver would most likely not be necessary for an individual market direct subsidy, as one was not needed for the young adult subsidy. However, she explained, assistance provided to employers without income thresholds attached could be considered taxable income, but having a maximum income that employers or employees must fall under to qualify might be one way to have it not counted as income.

Allison Mangiaracino considered how eligibility for a direct subsidy through the individual market would be determined, expressing that basing eligibility on the number of employees at a business sounds administratively complicated compared with offering a subsidy through the small group market.

David Brock stated that Aetna does not have a composite rating methodology and that he believes other carriers have stepped away from using composite ratings as well. He also confirmed that Aetna's minimum participation for the small group market was lowered from 75% to 60% and that individual waivers were no longer valid after that point. He noted that there are similar differences and nuances with other carriers as well.

Mr. Weldon expressed appreciation for the diversity of interests represented in the workgroup, noting that viewing this discussion through a single lens would fail to capture many of its components.

Ms. Palmore expressed interest in editing the rules around APTCs to allow employers to take advantage of them, stating that this change seems accomplishable. Ms. Fabian-Marks acknowledged that it sounds simple but stated that, in practice, this would be very challenging. It would require a 1332 waiver, and the federal government has made it clear that any shift that would necessitate the Internal Revenue Service changing their procedures is off the table.

Ms. Palmore stated that another option could be using some of the state budget surplus to fund an additional pot of money for employers. Mr. Frank stated that this is the aim of creating a subsidy program and that modeling it out is an important assignment for the workgroup. Ms. Palmore suggested that a new rule could make it so that the APTCs that employees receive could be subtracted from what the employer receives.

Mr. Arrington noted that it is important to consider how the subsidies will be distributed so that the correct amount of subsidy is given to the employer and then paid to the carrier. He also pointed out that growth in employers' income represents another challenge. It would be necessary to clearly define how these processes will be done.

Ms. Klapper commented that, to Ms. Mangiaracino's point about the administrative burden that a direct state subsidy administered through the individual market could represent, it sounds like the other options would also be administratively difficult. She asked for Ms. Fabian-Marks' opinion on how difficult administration of the direct subsidy would be. Ms. Fabian-Marks responded that they would discuss it further at the next meeting.

Mr. Frank suggested that workgroup members look back over the slides and send MHBE staff any notes or questions that occur to them. He expressed that ideas shared this way could be incorporated into the agendas for future meetings.

Mr. Weldon stated that he plans on typing out a document answering the list of subsidy design questions that Ms. Fabian-Marks posed to the workgroup, and he recommended that others do the same. Ms. Fabian-Marks offered to instead create a Google form to collect the workgroup’s responses to those items.

Mr. Frank and Mr. Weldon thanked the group for the feedback.

Public Comment
None offered.

Adjournment
The meeting adjourned at 2:54 pm.

Chat record: