MARYLAND HEALTH BENEFIT EXCHANGE

MHBE

Small Business and Nonprofit Health Insurance Subsidy Workgroup Session 4

August 30, 2022
1:00PM – 3:00PM
Via Google Meets

Members Present:
Jon Frank, Co-Chair
Rick Weldon, Co-Chair
Stephanie Klapper
Amber Hyde
Glenn Arrington
Lane Levine
Neil Bergsman
Bob Morrow
Trina Palmore
Deborah Rivkin
Sandy Walters
Dana Davenport
Mark Kleinschmidt
Henry Nwokoma
Janet Ennis
Allison Mangiaracino
Cindy Hipwell (substituting for David Brock)

Staff
Johanna Fabian-Marks
Becca Lane
Makeda (Mimi) Hailegeberel

Guest Speakers
Josh Hammerquist
Jason Doherty

Members of the Public
Connie Peterson
Rachel Clark
Carol Long

Welcome
Co-chairs Jon Frank and Rick Weldon welcomed attendees. Mr. Weldon encouraged Workgroup members to take advantage of the opportunity to provide input, adding that those who prefer may email or put their comments in the chat. Mimi Hailegeberel, Small Business Programs Manager at MHBE, went over the agenda, noting that the target date for the Workgroup's draft report is September 13, with a final report on September 27.

Recap of Proposed Options
Ms. Hailegeberel reviewed the previously presented options for the small business health insurance subsidy. Option 1 uses a traditional small business plan structure, with all the associated tax advantages to the employer including access to the Small Business Health Options Program (SHOP) tax credit. Option 2 directs employees to the individual market on Maryland Health Connection (MHC) where they can stack federal and state subsidies together to improve affordability of coverage.

Sandy Walters asked what employers would be required to do under Option 2, noting that they get no benefit. Mr. Frank replied that the employer would be subject to the Employee Retirement Income Security Act (ERISA) and that all the compliance standards of that law would apply under Option 2. Mr. Walters asked for confirmation that employers under Option 2 would be obligated to take on compliance costs that would not be reimbursed. Mr. Frank answered in the affirmative.

Glenn Arrington objected to referring to Option 2 as a group plan, given that employees would enroll directly through the individual market without any involvement of the employer.

Stephanie Klapper proposed designing the subsidy so that employers would be financially incentivized to direct their employees to the individual market, given the availability of generous federal subsidies.

Deborah Rivkin expressed discomfort with Option 2, adding that it goes against the intent of the legislation that conceived the Workgroup. Rather than helping employers, Option 2 replaces the small business market with the individual market. Bob Morrow and Allison Mangiaracino agreed, with Mr. Morrow adding that subsidy stacking could negatively impact employees' taxes.

Neil Bergsman noted that it is in Maryland's interest to have federal dollars pay as much of the cost as possible for as long as possible. He supported incentivizing employers to encourage employees to access the subsidies on the individual market, pointing out that since the federal tax credits are not available through employers, it is too expensive for the state to compete.

Amber Hyde asked that the Workgroup study and consider implementing a program like the Health Insurance Partnership, a now-defunct program that offered direct subsidies to employers. She stated that the program was successful and could serve as a model. Mr. Frank asked how the Health Insurance Partnership compares with Option 1. Ms. Hyde replied that she did not know about the funding source in Option 1, nor how employee financial assistance would be handled and so could not make a comparison. Mr. Frank noted that the funding source for any small business program is not clear, but that Option 1 was intended to mirror the Health Insurance Partnership. Ms. Hailegeberel pointed out that, while it is not required, most small businesses opt to provide employee financial assistance via their employer contribution to premium.

Mr. Walters stated that both options are intended to accomplish two things: to get uninsured people into coverage and to help small businesses with plan affordability, adding that any action recommended by the Workgroup must result in a reduction in the number of uninsured Marylanders.

Mr. Arrington agreed with Mr. Walters, adding that stacking subsidies helps employees who already have coverage while not helping the businesses. He pointed out that employees enjoy tax benefits through group plans, and that prescription coverage is often much better in group plans than individual plans. He urged that the Workgroup recommend an employee participation waiver for those eligible for subsidies on the individual market.

Ms. Klapper expressed that she is no longer in favor of Option 2. She stated that the waiver Mr. Arrington proposes would help her feel more comfortable with Option 1, noting that her major concern is that low-income employees could be pushed off the individual market. She expressed that a program funded primarily by the state rather than by federal subsidies may be a harder sell for state legislators.

Ms. Hyde suggested using real quotes to underscore how affordable the individual market can be in comparison to group plans. She compared group premium quotes to individual premiums on MHC for a hypothetical family of four. Moving to MHC could reduce the premiums to half or less of what they would be in a group plan.

Ms. Rivkin stated that her recollection of the Health Insurance Partnership was of a great deal of administrative burden for very little uptake. She noted that the two-year timeline of that program was a major hurdle for consumers and expressed that a similar issue could arise if this new subsidy has a similar timeline, urging the group to consider how to realistically make the subsidy last longer than two to four years.

Program Cost Analysis
Josh Hammerquist, Vice President and Principal at Lewis & Ellis, Inc., and Jason Doherty, Actuary at Lewis & Ellis, Inc., presented on the modeling that was done on the cost of the subsidy. Detailed slides on the modeled scenarios and the data sources are available in the presentation for this meeting.

The cost of Scenario 1A, a 10% small group premium reduction for all small groups, was over budget at $175 million for 2024. Regarding Scenario 1B, a 10% individual market reduction for all small groups, Mr. Doherty noted that it likely will not reduce the number of uninsured or cause consumers to move from the small group to the individual market; the cost of this scenario is much lower at $51 million for 2024. Scenario 2A, a 20% small business premium reduction for small businesses with less than 10 employees who did not offer employee health insurance in the past 12 months, was projected to be even cheaper, at $29 million in 2024.

Lane Levine asked for clarification on how the number for employee uptake was determined. Mr. Doherty responded that it is a function of premium and that they used data on uptake among employees at Maryland small businesses.

For both small group market scenarios, employer participation is expected to decline after two years, when the SHOP tax credit expires. For both individual market scenarios, participation is expected to decline when the enhanced subsidies put in place by the American Rescue Plan Act (ARPA) expire.

Mr. Walters expressed that the parameters of the SHOP tax credit make it almost meaningless to employers, noting that it is important not to overstate its relevance for employers' decision-making.

Ms. Klapper asked whether the projections assume that all employers are offering health insurance plans through MHC and taking advantage of the SHOP credit. Mr. Doherty responded in the affirmative. Mr. Walters expressed that this is not a realistic assumption. Mr. Doherty stated that they will discuss separately.

Mr. Walters stated that his organization rarely spoke to SHOP consumers about the tax credit because of the two-year timeframe and the small subsidy amount for most businesses. Mr. Arrington agreed, adding that, for the employers and employees who could afford to pay for SHOP plans, their income was too high for the subsidy amount to be meaningful.

Mr. Doherty noted that, if the availability of the SHOP tax credit does not significantly influence employers, costs will likely remain level throughout the four years of the subsidy.

Regarding Scenario 2B, Mr. Doherty noted that most uninsured are unlikely to be swayed given the subsidy amount. Scenario 2B is projected to cost about $25 million in 2024.

Ms. Mangiaracino asked for an explanation on why reinsurance costs in 2024 are projected to increase by $2 million. Mr. Doherty responded that previously uninsured individuals will be subject to the State Reinsurance Program (SRP), and past modeling of this program suggests that the associated costs will be $2 million.

Ms. Hailegeberel presented slides on implementation costs. She explained that MHBE staff will discuss with the Information Technology, Marketing and Outreach, and Training teams about these costs, as well as with carriers and other stakeholders who may have to endure costs to implement the recommendations.

Mr. Walters expressed that the number of previously uninsured people who would newly be covered would be a helpful metric by which to gauge the options presented. Mr. Doherty responded that Lewis & Ellis can add that number.

Subsidy Phase-Out Plan
Mr. Doherty continued by reviewing the analyses that Lewis & Ellis modeled for phasing out the program. Detailed graphics are available in the presentation for this meeting.

The first model is a two-year phase-out for Scenario 2A, with the subsidy decreasing from 20% to 14% in 2025. The second model is a four-year phase-out for Scenario 2A from 2024 to 2027, with the subsidy amount decreasing by 4 percentage points per year. He acknowledged that the projections for this option incorporated the assumption that the SHOP tax credit would decrease participation, so they may be skewed. The third option is a two-year phase-out for Scenario 2B, with the subsidy decreasing to 8% in 2025.

Mr. Doherty addressed other actuarial considerations. He acknowledged that low-income employees may lose access to advance premium tax credits and see their premiums increase but noted that enforcing a minimum employer contribution could negate this. This may result in lower participation, but that would in turn allow for a richer subsidy. He also urged that the Workgroup must think about the impact of this subsidy on the SRP and consider the expiration of ARPA subsidies in 2026, which will likely increase the cost of the program but decrease uptake.

Mr. Hammerquist noted that setting a minimum employer contribution would reduce premiums in the group market but increase the number of people who are ineligible for APTC. He expressed that it may be impossible to find a minimum contribution that guarantees that low-income people who use APTC will not be negatively affected.

Mr. Levine stated that, from his perspective as a small business owner, an offer of a 10% premium reduction is not persuasive for convincing small employers to offer health insurance. He argued for either investing heavily in marketing and outreach that communicates that it is in employers' benefit to offer health insurance or creating a program with a much higher subsidy with a very narrow target population as a proof of concept that can demonstrate success.

Mr. Weldon noted that the Maryland Association of Chambers of Commerce has committed to marketing the changes made in response to the Workgroup's recommendations, giving them an edge over the Health Insurance Partnership.

Ms. Palmore echoed Mr. Levine's point that the 10% subsidy is too small. She expressed that marketing the subsidy may cost brokers time and money. She also noted that the subsidy's expiration may introduce uncertainty in the market that disrupts carriers. She also agreed with Ms. Klapper that the employer should be incentivized to market health insurance to their employees, especially given the general lack of understanding around health insurance.

Ms. Mangiaracino asked whether it is possible to obtain an extension on the deadline for the Workgroup to release their recommendations, noting that she does not feel ready to vote. She expressed that it would be helpful to tweak the parameters around total program cost as well as modeling the impact of a minimum employer contribution. Ms. Hailegeberel responded that staff is open to tweaking these parameters and noted that considerations of a minimum employer contribution were previously dropped because the majority of the Workgroup did not seem to support it.

Ms. Hyde agreed with Mr. Levine and Mr. Weldon, adding that marketing is the most difficult part of a broker's job. She expressed that participation in this program can be left optional for the carriers in order to minimize the difficulty this introduces for them.

She also stated that only a small portion of the budget for the Health Insurance Partnership was used because of low participation.

Mr. Weldon agreed that the Health Insurance Partnership was hurt by a lack of strategic marketing. Ms. Hyde added that there was little interest in the program from brokers.

Ms. Klapper expressed excitement that the changes made as a result of this Workgroup could be marketed in unprecedented ways. She noted that the higher subsidy amounts in which some members have expressed interest may be a challenge for affordability but stated that she would be interested to see modeling done on that. She also noted that she thinks minimum employer contributions should not be taken off the table. She reiterated her suggestion that the program incentivize employers to direct their employees toward the individual market.

Ms. Palmore asked what went into calculating the value of employer uptake after the subsidy is introduced for Scenario 2A. Mr. Doherty responded that Lewis & Ellis had to make judgment calls for that estimate because of a lack of data.

Ms. Palmore also noted that some employers newly offering health insurance may lean towards bronze plans rather than silver. She asked about the relevance of the assumptions made about the health status of enrollees. Mr. Hammerquist responded that healthier people entering the market could lower premiums a small amount overall. Mr. Doherty added that it minorly affects the cost of the SRP as well.

Ms. Palmore asked about incorporating additional years of life resulting from the program into the modeling. Mr. Hammerquist responded that this was not incorporated because the projections were only for two to four years.

Bob Morrow expressed uncertainty over whether the Workgroup is considering a two-year program or something longer term. He also noted that there are wildly different costs for the proposals being made but that they have not settled on a source of funding. He argued for the need to get more specific before voting on proposals. He also argued for reexploring minimum employer contributions.

Ms. Hyde responded to Ms. Klapper’s point about incentivizing employers to direct their employees to the individual market, countering that savings need to go to the employee. She cited SHOP as an example where tax incentives for the employer did not work well. She also stated that minimum employer contributions can intimidate employers and dissuade them from participating.

Mr. Walters backed up his earlier claim about the lack of weight that the SHOP tax credit has for employers’ decision-making, demonstrating that it worked out to be even less than a 10% reduction for a group with 8 employees making the average salary for a small business employee in Maryland.

He then expressed that the Workgroup may not be effective for helping people right now given that the enhanced subsidies from ARPA are still in effect. He suggested that they recommend that the state invests heavily in marketing the individual market and the rich subsidies there rather than any new subsidy, expressing that marketing and education would be the most beneficial for Marylanders right now. He stated that the Workgroup's proposals will do little to help employers who are already offering health insurance but want lower costs; he identified this group of employers as the original catalyst for the Workgroup's deliberations. Mr. Weldon agreed with Mr. Walter's comments.

Mr. Levine expressed that tax credits may not be direct enough to incentivize employers to organize education events for their employees, arguing instead for direct payments that scale with the number of employees who participate.

Ms. Hyde echoed Mr. Walters' point that the SHOP tax credit was small, adding that some employers would apply and not receive the credit. She argued for an approach similar to the Health Insurance Partnership, where the process was handled directly through the carrier and billed accordingly, deducted from the employee's payroll. Ms. Hyde agreed with Mr. Weldon's point that a more substantial investment in marketing the Health Insurance Partnership could have greatly increased its effectiveness.

Ms. Palmore argued for MHBE funneling money toward fixing existing issues involved in MHC enrollment; she expressed that money could be used to help the MHBE Call Center expand. She also agreed with Mr. Levine that money should be given directly to employers as an incentive. She stated that she did not know about the Health Insurance Partnership, underscoring the lack of advertising the program had.

Ms. Klapper expressed reservations about the proposed subsidy options, noting that any new group market subsidy would be competing against robust savings available through enhanced ARPA subsidies on the individual market. She pointed out that the Workgroup has not yet proposed a way to protect low-income workers from being forced into a more expensive plan. She stated that the recommendation from the Workgroup could be for a hypothetical plan that would be put into place if ARPA subsidies are discontinued. She agreed with Mr. Levine that direct compensation to employers for helping to educate their employees is appropriate.

Mr. Weldon noted that, when MHBE began discussing the need for this Workgroup, it was unclear whether the ARPA subsidies would be extended. He also stated that he started speaking with MHBE two and a half years ago about marketing the individual market to small employers.

Mr. Arrington stated that competing against MHBE's individual exchange would be difficult, especially with limited funding. He agreed that the subsidy amount would need to be scaled up in order to attract the employers who would qualify. He urged that MHBE should consider producers and work in tandem with them and with carriers to protect producers from being harmed by the transition to the individual market, and he advocated for avoiding harm to the small group market.

Ms. Palmore stated that increased enrollments resulting from the marketing that is being proposed could result in increased expenses for stakeholders. She argued that there needs to be a focus on educating legislators on the Workgroup's recommendations, as they are the final decision-makers.

Ms. Hailegeberel stated that MHBE staff have asked the General Assembly for an extension on the Workgroup's October 1 deadline and that the request was denied, meaning that the deadline is firm. She explained that an anonymous poll is going to be sent out to vote on the options, and members will also be allowed to abstain; if many members abstain, it will communicate to MHBE staff that it is necessary to rethink the proposal and work toward something that the Workgroup agrees on.

Ms. Klapper responded to Mr. Arrington's point about disruption of the small group market, suggesting that financial incentives could be limited to employers not already offering coverage so that small groups are not incentivized to drop their coverage, especially given how these plans might be the best option once ARPA subsidies expire. She expressed support for Dana Davenport's suggestion in the chat that the immediate recommendation should be about marketing, noting that there may not be enough time to flesh out an effective subsidy program.

Ms. Rivkin stated that allowing members to abstain in the poll does not capture the intricacies and questions raised during the discussion, and she asked Mr. Frank and Mr. Weldon about the choice to have that option. Mr. Frank responded that the final report will convey all of the points of discussion and noted that abstaining indicates that there is no clear choice for that individual. He acknowledged that more discussion is needed regardless of the poll results.

Mr. Weldon added that he would be willing to follow up with the legislature to express the need for an extension, noting that the Workgroup may be forced to default to proposing a marketing program if the deadline remains firm.

Ms. Hailegeberel stated that the poll will still be useful for gauging the group's opinions, especially from those who have not shared, and the Workgroup can continue to narrow in on specifics in future meetings. Mr. Weldon and Mr. Frank noted that they are running out of time to get specifics together.

Mr. Walter expressed support for the poll, noting that it will be indicative of the Workgroup's feelings on each proposed option.

Poll
Becca Lane administered the anonymous poll, which asked the respondent which subsidy design option modeled by Lewis & Ellis they prefer.

Ms. Rivkin asked for confirmation that no funding source is currently identified. Ms. Hailegeberel responded in the affirmative.

Ms. Palmore asked for confirmation that abstaining from voting represents a lack of support for any of the options presented. Ms. Hailegeberel responded in the affirmative.

Ms. Hailegeberel indicated that MHBE staff would follow up with any Workgroup members not in attendance to get their vote.

Mr. Frank noted that the Workgroup's task is difficult given that both the individual and group markets are expensive.

Ms. Hailegeberel stated that the slides on marketing that MHBE staff have prepared will be deferred until the next meeting.

15 out of 19 Workgroup members were present. Five cast a vote for one of the four sub-options modeled by Lewis & Ellis. The majority abstained. Two votes were for option 1A: 10 percent subsidy for all small employers. Two votes were for option 1B: 10 percent subsidy on the individual market for employees of small employers. One vote was for option 2A: 20 percent subsidy for small groups with 1-9 employees and no offer of coverage within the previous 12 months. Of those who abstained, some wanted an extension for the report deadline; others wanted the actuaries to model other considerations, like the impact of a minimum required employer contribution versus no required employer contribution.

Ms. Palmore asked that Mr. Frank and Mr. Weldon work to convey the nuances of the Workgroup's discussions to the legislature. Mr. Weldon responded that they will.

Ms. Klapper asked about seeing whether the Workgroup has reached a consensus that their proposal should be to bolster marketing and to make general proposals for a future program.

Ms. Rivkin responded that her opinion depends on the details of the marketing plan; she stated that marketing should advertise both the individual and group markets.

Public Comment
None offered.

Adjournment
The meeting adjourned at 3:05 pm.

Chat record:

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00:06:47.213,00:06:50.213
Deb Rivkin: I completely agree with Glenn's comments

00:25:20.868,00:25:23.868
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Becca Lane -MHBE-: For the record, when we talk about a waiver I believe that refers to carrier participation requirements; it has no impact on APTC/CSR eligibility, which will still be an issue

00:26:29.176,00:26:32.176
Stephanie Klapper: Thanks Becca. That's important to note. It will be important not to harm low-income workers through the program that the group recommends.

00:28:26.339,00:28:29.339
Becca Lane -MHBE-: That's a great idea Amber, we'll be sure to put real-number cost comparisons in the report

00:31:09.142,00:31:12.142
Glenn Arrington: Yes I agree with all of that Deb stated

00:56:45.491,00:56:48.491
Stephanie Klapper: Thank you for that point, Josh. Very concerned about unintentionally harming low-income workers. Doesn't sound like there's a great way to prevent that.

00:57:12.398,00:57:15.398
Dana Davenport: What is the consideration for the impact of people who have coverage outside of APTC (e.g., through family, through a spouse) when their small employer begins to offer health insurance? Given that many people in nonprofits get insurance through spouses/family to cope with many nonprofits not being able to afford health insurance, how would a small employer program, minimally, be as affordable as other forms of insurance?

01:03:51.298,01:03:54.298
Deb Rivkin: I agree with Allison.

01:06:07.696,01:06:10.696
Dana Davenport: Another question: do we want a flat percentage for the subsidy? What about an option of a scale based on something like revenue? Since appx 65% of the nonprofit sector has a revenue of <$25k, I would think that a higher percentage subsidy amount would be more equitable for businesses with a smaller revenue than a flat percentage.

01:07:06.828,01:07:09.828
Dana Davenport: ...of course translate that over to employee income.

01:08:18.312,01:08:21.312
Lane Levine: re: marketing - I would love to see a prioritization of word-of-mouth tactics among businesses. That is how I often make decisions to engage in a program.

01:10:04.244,01:10:07.244
Dana Davenport: When it comes to marketing, let's make sure that nonprofit associations are explicitly incorporated.

01:20:45.681,01:20:48.681
Jason Doherty: To clarify, the total cost on this slide is total 2024 cost

01:22:01.760,01:22:04.760
Neil Bergsman: I think our history has demonstrated that a subsidy with a short time limit will not be successful. We should prioritize a sustainable program.

01:23:26.066,01:23:29.066
Stephanie Klapper: To clarify, I meant a financial incentive for employers to direct employees to the individual market while APTC's and CSR's are as robust as they are under federal policies

01:23:31.360,01:23:34.360
Dana Davenport: From my perspective, the program needs to be permanent. I can't fathom small nonprofits going through the administrative effort to do this for two years only to be back at square 1. That could particularly have long term consequences around things like employee recruitment and retention to offer insurance for 2 years.

01:25:43.603,01:25:46.603
Deb Rivkin: thanks Sandy. Totally agree with you. These are not sustainable solutions.

01:26:04.053,01:26:07.053
Dana Davenport: Sandy makes a good point - let's not leave federal money on the table, and let's find/create something sustainable for when these run out.

01:26:18.003,01:26:21.003
Glenn Arrington: I have had my hand raised not sure if it is working though?

01:27:01.910,01:27:04.910
Dana Davenport: To Rick's point - health insurance through a nonprofit association could also be a game changer for affordable health insurance.

01:27:10.205,01:27:13.205
Rick Weldon: You're my cue Glenn

01:27:31.774,01:27:34.774
Neil Bergsman: I agree with Lane - especially since tax credits generally do not help nonprofits (there are ways to do it, but they are a bit convoluted).

01:30:02.289,01:30:05.289
Glenn Arrington: Not sure what cue meant but I have not had a chance to speak in a while with hand up? It must not be working

01:30:45.659,01:30:48.659
Becca Lane -MHBE-: Glenn, you are in the list, your turn will come

01:32:20.647,01:32:23.647
Dana Davenport: What if the immediate recommendation becomes around marketing for federal money available? Then, in preparation for the federal support running out, it seems like we should recommend that the

legislature take more time (longer than a summer) to develop a sustainable program that will last.

01:41:20.223,01:41:23.223
Glenn Arrington: attempt to have the carriers allow the waivers for exchange individuals not jsut CareFirst

01:46:26.478,01:46:29.478
Becca Lane -MHBE-: For the record, the final report will convey the nuance of all these conversations

01:47:36.325,01:47:39.325
Neil Bergsman: Sandy and Glenn have stated the situation very well. It seems that as long as federal supports are in place, the math for employers subsidy does not work, and an i9ndividual subsidy is not going to have a lot of effect. I will vote no on options 1 and 2. I would support a program to take effect after federal subsidies have lapsed. I will support funding and incentives to market existing individual coverage on the exchange.

01:50:12.494,01:50:15.494
Makeda Hailegeberel -MHBE-: Jason- can you give control back to us?

01:50:43.939,01:50:46.939
Dana Davenport: I don't think it's a failure if the recommendation is a marketing plan - what it shows is that, given the time constraints and the contexts that we're operating in, pushing through a program isn't the most advantageous at this time.

01:55:09.738,01:55:12.738
Stephanie Klapper: Are non-members voting?

01:55:12.500,01:55:15.500
Lane Levine: Apologies but I have to leave. I did provide my vote - thank you!

01:56:23.844,01:56:26.844
Dana Davenport: I did not vote for either option since there is no option for "none of the above."

01:56:41.634,01:56:44.634
Rick Weldon: Dana- I agree that a failure to select a design is not a sign of failure. A structured marketing approach could be a solution/.suggestion.

01:57:20.484,01:57:23.484
Stephanie Klapper: Can we see if there is any consensus on that idea? either by email or at the next meeting?

02:00:48.228,02:00:51.228
Allison Mangiaracino: Agree with marketing both SHOP and IFP

02:01:00.064,02:01:03.064
Stephanie Klapper: Good point Deb

02:01:15.810,02:01:18.810
Glenn Arrington: That is an excellent point Deb both SG and IND should be maeketed

02:01:26.726,02:01:29.726
Neil Bergsman: I agree with Deb - the marketing should focus on helping employers and the individuals to understand all their options and make their best choices.

02:01:30.086,02:01:33.086
Bob Morrow: agree that any marketing should promote individual and small group markets