Small Business and Nonprofit Health Insurance Subsidy Program Workgroup

Session 6 – September 27, 2022

MARYLAND HEALTHBENEFIT EXCHANGE

Welcome

Agenda

1:00 - 1:10 | Welcome
Jon Frank and Rick Weldon, Co-chairs

1:10 - 1:20| Recommendation Recap & Follow-Up Items
Mimi Hailegeberel, Small Business Programs Manager

1:20 - 1:40| Vote On Final Report (Part 1-3)
Mimi Hailegeberel, Small Business Programs Manager

1:40 - 1:50| Workgroup Closeout
Jon Frank and Rick Weldon, Co-chairs

1:50 - 2:00 | Public Comment

2:00 | Adjournment

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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 Insurance Administration
Trina Palmore	Solomon's Financial Group
Deb Rivkin	CareFirst
Sandy Walters	Kelly Benefits
Rick Weldon	Frederick County Chamber of Commerce

Final Report Recommendations

Additional Recommendation Recap & Follow Up Items

Recommended Idea:

- Financial incentives for employers to help their employees sign up for individual coverage; provide branding that employers can display on their business front showing they support health care for their employees
  - MHBE reviewing administrative and legal considerations
  - Provide follow-up letter to legislature with MHBE legal findings and recommendations

Final Report Update: Page 26

This session had 15 out of 19 Workgroup members present. Five cast a vote for one of the four sub-options modeled by Lewis & Ellis. 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.

For varying reasons the other members chose to vote "no" on all 4 options at this time. After discussion of the ballot structure it was agreed that a no vote had to be accomplished by abstaining/not submitting a vote on the 4 options presented. Of those who abstained, some wanted an extension for the report deadline to identify a funding source for the program and a subsidy program timeline beyond two-four years; some wanted the actuaries to model other options, like the impact of a minimum required employer contribution versus no required employer contribution; and some simply were not in favor of a subsidy for the small group market.

Technical Edit #1: Update Table 7 Using Federal Poverty Guidelines Applicable for 2023

- Update the numbers in Table 7 on page 17 to show the 2022 Federal Poverty Guidelines which will be used for subsidy eligibility in the 2023 plan year
- Unround threshold numbers

Table 7: Maximum Expected Contribution Towards Second Lowest Cost Silver Plan by Income Range

Income Range (FPL)	Max Expected Contribution Towards 2nd Lowest Cost Silver Plan	Household of 1		Household of 4	
		Income at FPL Range	Expected Contribution	Income at FPL Range	Expected Contribution
100-150	0%	$13,000-$19,000	$0	$26,000-$39,000	$0
150-200	0%-2%	$19,000-$25,500	$43	$39,000-$52,000	$87
200-250	2%-4%	$25,500-$32,000	$107	$52,000-$66,000	$220
205-300	4%-6%	$32,000-$38,000	$190	$66,000-$79,000	$395
300-400	6%-8.5%	$38,000-$51,000	$361	$79,000-$105,000	$744
400% and higher	8.50%	>$51,000		>$105,000	

Expected Contribution by % FPL (2022 Poverty Guidelines for 2023 APTC)

Percentage of FPL	Max Expected Contribution Towards 2nd Lowest Cost Silver Plan	Household of 1		Household of 4	
		Income at %FPL	Expected Monthly Contribution	Income at %FPL	Expected Monthly Contribution
<150	0.00%	$20,385	$0.00	$41,625	$0.00
200	2.00%	$27,180	$45.30	$55,500	$92.50
250	4.00%	$33,975	$113.25	$69,375	$231.25
300	6.00%	$40,770	$203.85	$83,250	$416.25
>400	8.50%	$54,360	$385.05	$111,000	$786.25

Technical Edit #2: Correction to Table 9

Swap second and third column in the part of Table 9 that is on page 24, so that columns align correctly from page 23 to 24.

Table 9: Draft Subsidy Design Options

	Traditional Small Group (Option 1)	Individual Market Subsidy (Option 2)	ICHRA (Option 3)
Plan design	Group plan(s) chosen by employer	Employees shop for individual plans with APTC and Additional State Subsidy	Employees shop for individual plans using employer + subsidy contribution
APTC	If plan is deemed affordable by the IRS (<9.12% of household income in 2023), employee does not qualify for APTC	If they qualify for APTC, employees can keep APTC	If plan is affordable, employee does not qualify for APTC
Premium cost	Higher premiums than individual plans; more selection	Lower premiums than small group plans; limited selection	Lower premiums than small group plans; limited selection
Employer Contribution	Employer's choice/discretion; tax deductible business expense. Employee contribution tax free under Section 125	No tax-advantaged way for employer to contribute. Employee may owe taxes on additional subsidy.	State could set contribution requirement
On/Off exchange	On- and Off-Exchange	ICHRAs are available on/off exchange	On-Exchange
SHOP Tax-credit	Available	Not available	Not available
Target program start date	January 1, 2024	January 1, 2024	January 1, 2024
Plan year start	1st of any month. Especially beneficial 11/15-12/15	Any time of the year	Open enrollment and Special Enrollment Period (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	Complex	• Carriers, TPAs & small businesses have concerns but can implement this option. • Employer maintains plan eligibility & compliance

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Technical Edit #3: Update references to federal affordability threshold

- Update references to federal affordability threshold in footnote on page 28 and in the last paragraph on page 30. The affordability threshold cited on those pages is the current 2022 threshold of 9.61%; update to 2023 threshold of 9.12%.

Page 28:

[36] Two adults aged 49 and 43; two children aged 15 and 17.
[37] $587 - $316 = $271. If the children were not eligible for CHIP, their premiums would cost $53/month each for a total family monthly premium of $377.30. An employer plan is considered affordable if the employee self-only coverage costs less than 9.61% of household income.
[38] Children in Maryland are eligible for CHIP (Medicaid) with family incomes of up to 322% of FPL, which is $89,355 for a family of four. From "Medicaid and CHIP Income Eligibility Limits for Children as a Percent of the Federal Poverty Level," *Kaiser Family Foundation,* January 1, 2022, https://www.kff.org/health-reform/state-indicator/medicaid-and-chip-income-eligibility-limits-for-children-as-a-percent-of-the-federal-poverty-level/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

Page 30:

It is important to note that not every offer of employer coverage will make an employee ineligible for APTC in the individual market; if the employee would have to pay more than 9.61 percent of household income for the employer coverage, it is considered "unaffordable" under federal law and does not impact APTC eligibility. However, in comparison, currently in the individual market premium costs for a benchmark plan are capped at 8.5 percent of household income; the lowest-income individuals are expected to contribute 0 percent of household income. Consequently, when deciding whether to offer

Vote to Approve Final Report

Vote on Final Report Proposed Recommendations

1. The legislature should ensure MHBE has sufficient funding to significantly expand marketing and outreach to small employers and their employees to provide education regarding, and facilitate enrollment in, existing coverage options.

2. MHBE should re-engage stakeholders to discuss the possibility of a small business & nonprofit premium subsidy in the future, if it appears likely that the enhanced premium tax credits in the individual market will expire.

Vote #1

Vote to Approve the Final Report Recommendations 1 and 2

Vote #2

Vote to Approve the Final Report Document, with clarifications and technical edits suggested on slides 7-11 (to pages 17, 24, 26, 28, 30)

Vote #3

Vote to recommend MHBE submit a follow-up letter to the legislature regarding administrative and legal considerations on the proposed idea: *financial incentives for employer hosting an enrollment event for employees and branding that shows the public they support health care for their employees*

Next Steps

Final Report

- MHBE will deliver final report to the legislature on **September 30th**

- Meeting Minutes for sessions 4, 5 and 6 will be sent to members the week of October 3rd for review and approval. Send your responses via email to Becca or Mimi.

- All meeting minutes, recorded sessions and relevant documents will be posted on MHBE's website.

Public Comment

Workgroup Closeout

Appendix

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

[1] ACA §1421; 26 USC § 45R(d)(1); https://www.healthcare.gov/small-businesses/provide-shop-coverage/small-business-tax-credits/

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, 2022[5]

[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 2016[5]
  - Many states prioritized staff time and resources for the individual market over SHOP[6]
  - Many businesses were unaware of the tax credit or were deterred by:
    - The upper limit on salaries[7]
    - The limited (two year) availability of the tax credit
    - The paperwork burden[8]

[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 insurer[10]
  - 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[11]

[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

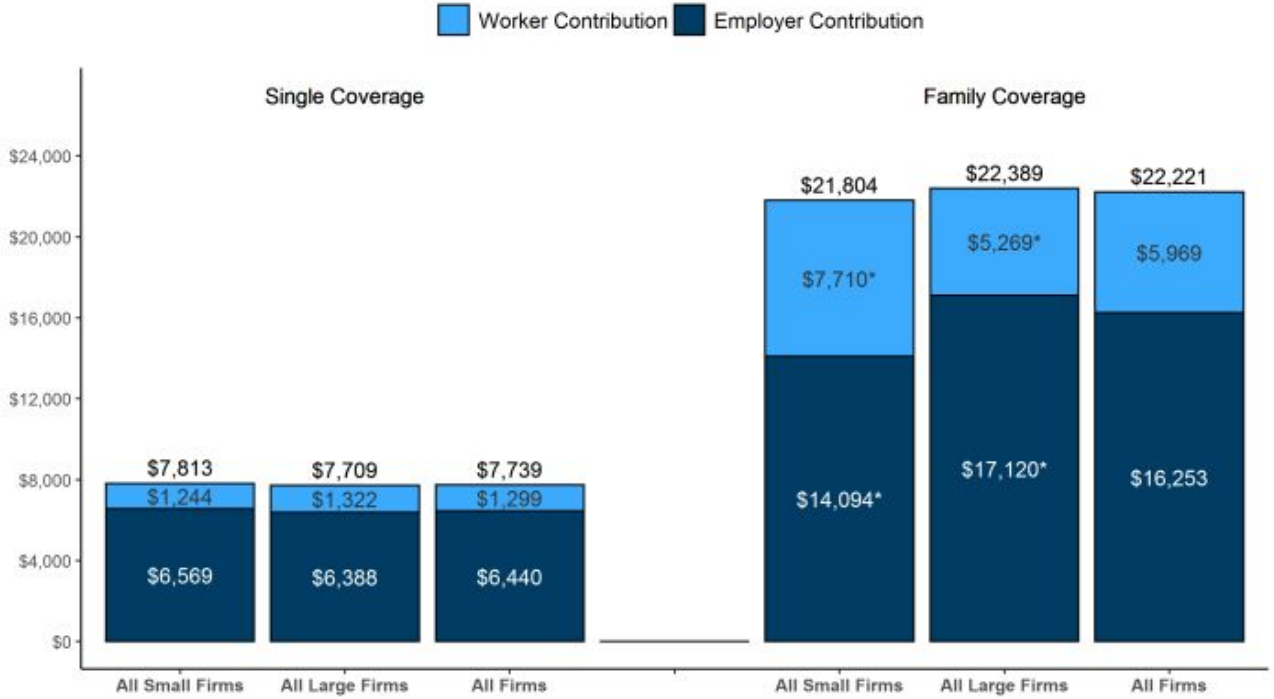
	2014	2015	2016	2017	2018	2019	2020	2021
Employers	43	88	113	107	148	152	156	121
Covered Lives	263	604	735	588	853	821	878	649

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

https://www.kff.org/report-section/ehbs-2021-section-6-worker-and-employer-contributions-for-premiums/

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

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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

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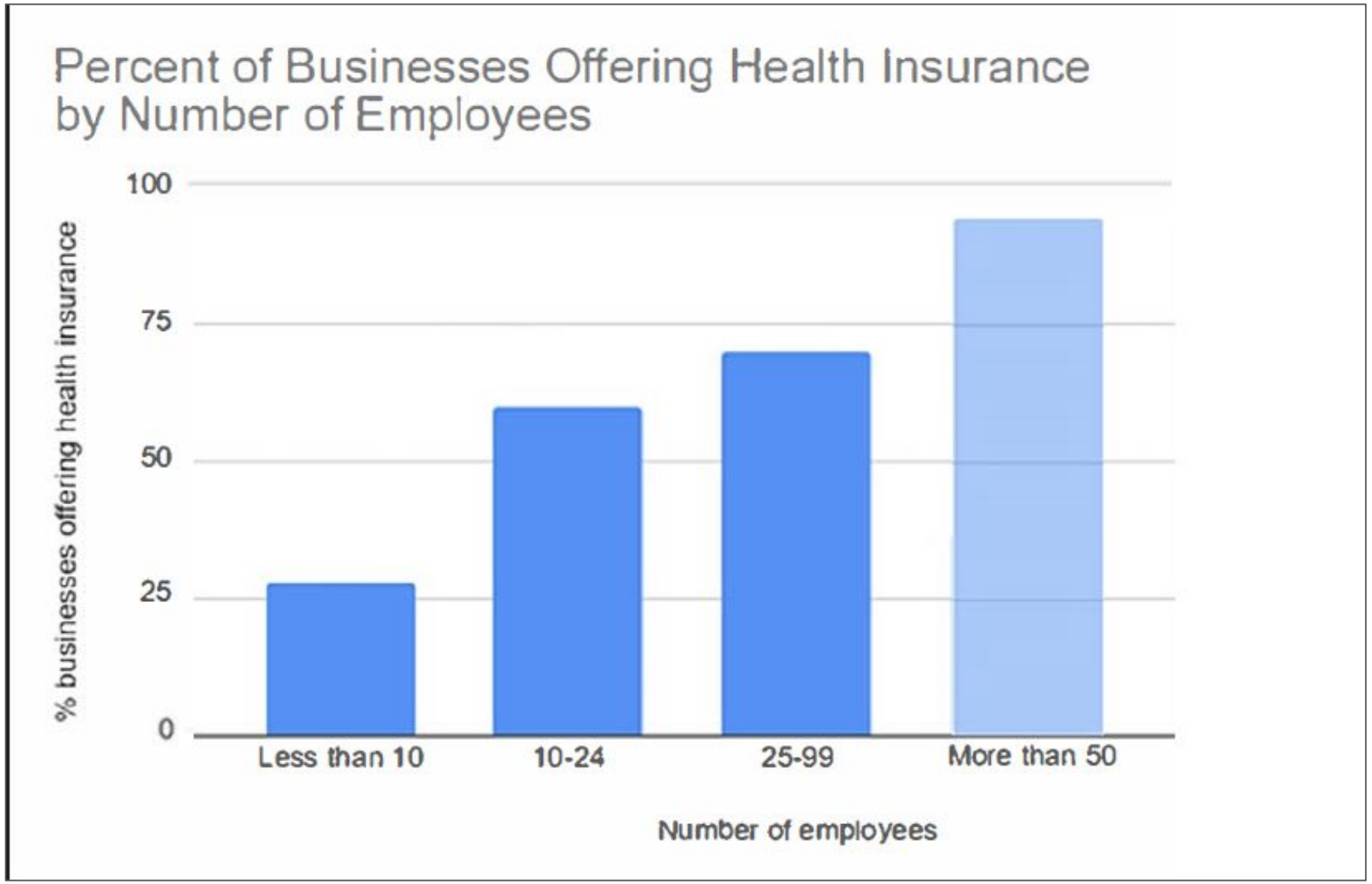

Agency for Healthcare Research and Quality. (2020). Center for Financing, Access and Cost Trends: 2020 Medical Expenditure Panel Survey - Insurance Component tiia2.pdf (ahrq.gov)

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