

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 59 (Senator Hester)
 Finance

**Maryland Health Benefit Exchange – Small Employers – Special Enrollment
 Period and Marketing**

This bill requires the Maryland Health Benefit Exchange (MHBE) to open a special enrollment period (SEP) in the individual market for individuals who become employed by a small employer that does not offer employer-sponsored health benefit plans (and their dependents). The bill also increases the annual mandated appropriation for MHBE from \$32.0 million to \$37.0 million in fiscal 2025 through 2029. The additional \$5.0 million annually must be used for marketing and outreach to, and programs for, “small employers” (both small businesses and nonprofit employers) and their employees to facilitate enrollment in health insurance coverage. By January 1, 2024, MHBE must report to specified committees of the General Assembly on the use of the SEP. **The bill takes effect July 1, 2023, and terminates June 30, 2028.**

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration in FY 2024 only from the \$125 rate and form filing fee. MHBE special fund revenues and expenditures increase by \$5.0 million annually in FY 2025 through 2029. General fund revenues decrease correspondingly, as discussed below.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	\$0	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
SF Revenue	\$ –	\$5.0	\$5.0	\$5.0	\$5.0
SF Expenditure	\$0	\$5.0	\$5.0	\$5.0	\$5.0
Net Effect	\$ –	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

Note: (t) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Potential meaningful, as discussed below.

Analysis

Current Law: MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Through the Maryland Health Connection, Maryland residents can shop for health insurance plans, compare rates, and determine their eligibility for federal advanced premium tax credits, cost-sharing reduction plans, and public assistance programs such as Medicaid.

MHBE is funded in part from a mandated diversion of premium tax revenues that would otherwise go to the general fund. However, any of these special funds that remain unspent at fiscal year closeout revert to the general fund. Beginning in fiscal 2016, the mandated appropriation was \$35.0 million. Chapter 150 of 2021 reduced the mandated appropriation to \$32.0 million beginning in fiscal 2022.

Maryland Health Connection for Small Business helps small businesses and nonprofit organizations provide health insurance coverage to their employees. Generally, “small employer” means an employer that, during the preceding calendar year, employed an average of no more than 50 employees. Maryland small businesses and nonprofit organizations may qualify for the federal Small Business Health Care Tax Credit if they (1) buy group health insurance through Maryland Health Connection; (2) have fewer than 25 full-time equivalent (FTE) employees; (3) pay an average annual salary of less than \$56,000 (adjusted for inflation); and (4) contribute at least 50% toward employee-only health insurance premiums (35% for tax exempt/nonprofit organizations). The tax credit is highest for employers with 10 or fewer FTE employees paying an average annual wage of \$27,000 (adjusted for inflation) or less. Small businesses may receive a tax credit of up to 50% of premium expenses. Nonprofit or tax-exempt organizations may receive a tax credit of up to 35% of premium expenses. Small employers may claim the credit for only two consecutive taxable years.

State Fiscal Effect: MHBE special fund revenues and expenditures increase by \$5.0 million in fiscal 2025 through 2029. As this additional funding comes from a diversion of premium tax revenues that would otherwise accrue to the general fund, general fund revenues correspondingly decrease by \$5.0 million in fiscal 2025 through 2029.

MHBE advises that any information technology (IT) costs necessary to implement the SEP for calendar 2024 can be absorbed within existing budgeted MHBE resources as part of routine IT updates.

Small Business Effect: Increased outreach and marketing to, and programs for, small employers under the bill is intended to facilitate enrollment in health insurance coverage, while the bill’s SEP allows employees of small businesses that do not offer health insurance (and their dependents) to enroll in coverage through the individual market. Thus, small

businesses benefit under the bill to the extent additional employees enroll in health insurance coverage.

Additional Comments: This analysis assumes the fifth year of additional funding (\$5.0 million in fiscal 2029) is provided because the Governor's budget for fiscal 2029 must be submitted at the 2028 legislative session and enacted before the bill's termination date of June 30, 2028.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 107 (Delegate R. Lewis) - Health and Government Operations.

Information Source(s): Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2023
km/ljm

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