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Education, Health, and  
Environmental Affairs Committee

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**THE SENATE OF MARYLAND**  
ANNAPOLIS, MARYLAND 21401

March 4th, 2020

**Testimony in Support of SB977 - Maryland Health Benefits Exchange -  
Funding for Small Business Insurance Subsidies and Outreach**

**Position: Favorable with Amendments**

Chair Kelley, Vice-Chair Feldman, members of the Finance Committee:

Thank you for your consideration of SB977. Over the interim I had the opportunity to work with an incredibly talented group of legislators while organizing the “Bipartisan Senate Small Business Workgroup.” Together we spent the interim exploring ways in which the State could support the efforts of entrepreneurs and small businesses. Throughout this process, we spent time talking to small business owners about the primary challenges they faced in the State. In these discussions, the cost of providing healthcare was repeatedly mentioned as a major source of difficulty for employers.

Small businesses have historically struggled to offer competitive and comprehensive health benefits for their employees. As a result of their size, small businesses are generally unable to bargain effectively with carriers and providers in the ways large businesses can. As a result, small businesses are often restricted to smaller, less stable, and less healthy insurance pools. To put reliable and affordable healthcare within the reach of small business owners and their employees, the Affordable Care Act created the Small Business Health Options Program (SHOP). This program, administered by the Maryland Health Benefit Exchange (MHBE) provides small businesses access to a robust set of healthcare options, and provides federal tax credits to qualified participants to assist in covering the cost.

Despite the gains the SHOP program has made in Maryland, two significant barriers to program participation persist. First, the federal tax credit alone does not serve as a strong enough incentive for many small businesses, putting many businesses outside the range of affordability. Secondly, the lack of visibility and awareness surrounding the program leaves many employers

who could be taking advantage of the program out of the SHOP marketplace. Currently MHBE only spends \$90,000 on outreach for SHOP, a fraction of the \$3.4 million spent annually on outreach for the individual marketplace. As a result, to date SHOP has been able to provide healthcare to 140 active employers and 748 individuals across the state - a sizable population that could be expanded with the right investment. For comparison's sake, in my district alone MHBE projects 4,004 potential firms who may be eligible for the SHOP tax credit, totaling \$9,249,848 in potential federal tax credits for those businesses that are currently going underutilized.

Senate Bill 977 would guide State investment to alleviate these structural problems, allocating \$15 million annually to fund subsidies for small businesses purchasing health insurance coverage through the SHOP exchange beginning in fiscal year 2022. An additional \$2 million would also be allocated to fund outreach to small businesses. A sponsor amendment has also been included with the bill, which would:

- Establish a Small Business Health Insurance Subsidies Program, granting explicit authority to MHBE to administer small business subsidies
- Create an associated non-lapsing fund for the operation of small business healthcare subsidies, to which any yearly surpluses achieved by MHBE would be transferred
- Relocate the appropriations language to a different section of insurance article by request of MHBE

With this legislation we can address the problems that limit the growth of the SHOP program, providing more coverage options for small businesses; expand opportunities for uninsured individuals or those currently insured in the individual market to receive more affordable healthcare through their employers; and allow our State to more effectively take advantage of the current pool of federal tax credits available to participating businesses. **I respectfully request a favorable report for SB977.**

Sincerely,



Senator Katie Fry Hester  
Howard and Carroll Counties