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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Delegate Testimony in Support of HB 709

**Maryland Health Benefit Exchange – Small Business and Nonprofit Health
Insurance Subsidies Program**

1. Delegate Robbyn Lewis Letter of Support
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3. 2022 Maryland Health Connection for Small Business Program Options
4. Baltimore Sun Op-Ed – January 3, 2022



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Delegate Testimony in Support of HB 709

**Maryland Health Benefit Exchange – Small Business and Nonprofit Health Insurance
Subsidies Program**

Dear Chair Pendergrass, Vice Chair Peña-Melnyk, and esteemed colleagues of the House Health and Government Operations Committee:

House Bill 709 will strengthen small businesses by expanding access to quality, affordable healthcare for their workers. This bill is cross-filed with SB632.

Starting in fiscal year 2024, this bill will invest \$45 million dollars per year into a five-year state subsidy program for small businesses with fewer than 25 full-time equivalent employees. These workers will be offered coverage via the Maryland Health Connection.

In addition to those subsidies, the bill will also invest \$3 million dollars per year in outreach, so that these small employers are aware of the program.

The funds will come from available federal funding.

This bill was previously introduced in the 2020 regular session as HB930 (cross-filed with SB977). It had a hearing but never came to a vote in committee.

The US Small Business Administration (SBA) defines a small business as follows: a manufacturing enterprise with fewer than 500 workers, or a non-manufacturing business with less than \$7.5 million dollars in annual revenues. Maryland has a vibrant small business ecosystem: according to the SBA 2021 Small Business Profile, there are over 600,000 small businesses in Maryland, with 1.2 million workers - nearly 50% of all workers in the state.

It is incredibly important to recognize that when we talk about small businesses in Maryland, we are really talking about enterprises that are owned and operated by African Americans, Hispanic Americans, Asian Americans - including women. We have the highest per capita rate of small businesses owned by people of color in the nation, and yet racial disparities in health outcomes persist.

Before the COVID pandemic, working people sought jobs that offered good pay and good benefits. Back then, the big employers could often outcompete small employers by meeting

workers' expectations. Small employers struggled to offer attractive benefits; only 37% were able to offer health coverage, compared to 95% of their larger rivals. Under the Small Business Health Options Program, or "SHOP", created under the Affordable Care Act, federal tax credits were supposed to help bridge the health insurance cost gap. But few small businesses ever took advantage of those tax credits - the program never met expectations. And as you know, our current reinsurance program provides subsidies that lower insurance costs, but none of that funding is directed to help small businesses.

The bill before you aims to close that cost gap, and help small businesses - particularly Black and Brown and women-owned small businesses - to attract and keep a healthy workforce.

I respectfully request your favorable report.



MARYLAND CITIZENS' HEALTH INITIATIVE

HB 709/SB 632 Small Business and Nonprofit Health Insurance Subsidies

This bill would invest \$45 million/year into a five-year state subsidy program for small businesses and nonprofits with fewer than 25 full-time equivalent employees to offer employees health coverage through Maryland Health Connection, plus \$3 million/year for outreach to notify small employers about the new program. The program should be funded through available federal funding.

Why is HB 709/SB 632 needed?

- Small businesses and small nonprofits are less likely to offer health coverage than large employers. In Maryland only 37% of small employers offer health coverage to their employees compared to 95% of large employers.¹
- Small businesses are more likely than large businesses to be owned by people of color and Maryland has the highest rate per-capita of businesses owned by people of color in the nation.² There are also profound health inequities by race and ethnicity made apparent by the COVID-19 pandemic. Providing better opportunities for small businesses and nonprofits to provide health coverage will improve health equity.
- Health coverage helps make employment opportunities more attractive to job seekers which is important in the current economic climate.
- Under the Affordable Care Act eligible small employers can receive up to two years of federal tax credits to help them purchase health coverage at Maryland Health Connection. However, few small employers use the program because of lack of awareness, plus the federal tax credits often aren't enough to make coverage affordable.
- A previous state program for small employers called the Maryland Health Insurance Partnership ended shortly after the ACA took effect. Currently, Maryland provides funding to bolster the health insurance individual market through the reinsurance program and a new pilot program for young adult subsidies, but provides no extra funding for small employers.

Benefits of HB 709/SB 632:

- More small employers offer additional options for quality, affordable health coverage through Maryland Health Connection to their employees.
- Small employers can attract employees and keep a healthy workforce, while reducing the uninsured and under-insured rates in the state.
- Maryland moves closer to achieving health equity in health coverage access.

¹ Agency for Health Quality and Research. Table II.A.2 Percent of private-sector establishments that offer health insurance by firm size and State: United States, 2020. https://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2020/tiaa2.pdf (Accessed November 23, 2021)

² Mirabella, L. The Baltimore Sun. "Maryland ranks No. 1 in U.S. for Minority and women businesses ownership, study finds." April 18, 2018. <https://www.baltimoresun.com/business/bs-bz-minority-owned-business-maryland-20180418-story.html>

Maryland Health Connection for Small Business Program Options

HB0709 - February 2022

A. Employers provide traditional health plans

Employers:

- Purchase plans from authorized producers
- Provide pre-tax health benefits to employees
- Could be eligible for a two year federal tax credit

Employees:

- Receive tax-exempt health benefits

MHBE:

- Connects employers with authorized producers
- Provides plan comparison feature (already exists)
- Provides eligibility confirmation letters
- Could make a subsidy available to small employers and employees to reduce premiums, using eligibility and payment parameters established by the MHBE Board of Trustees

B. Employees enroll directly into QHPs through Maryland Health Connection (MHC)

Employers:

- Direct employees to MHC to enroll in individual market QHPs

Employees:

- Could access all federal and state tax credits and subsidies for which they are eligible
- Could keep their coverage regardless of their employment status

MHBE:

- Builds eligibility questions into the application process
- Provides open enrollment materials, access to open enrollment events, and other training and assistance
- Could provide a targeted state subsidy to reduce the premiums of small employers and employees enrolling in individual market plans through MHC (in addition to current federal and state tax credits and subsidies for which they may otherwise be eligible)

C. Employers reimburse employees for QHP premiums

Employers:

- Provide premium reimbursement to employees enrolled in QHPs on MHC through an Individual Coverage Health Reimbursement Arrangement (ICHRA)
- Tax favored status for employer contributions

Employees:

- Would not be eligible for federal tax credits
- Could keep coverage regardless of employment status

MHBE:

- Develops a tool for employers and employees to estimate ICHRA impact for this option (resource-intensive)
- Provide open enrollment materials, access to open enrollment events, and other training and assistance
- Build eligibility questions into the application process
- Could provide a targeted state subsidy to reduce the premiums of small employers and employees enrolling in individual market plans through MHC (in addition to current federal and state tax credits and subsidies for which they may otherwise be eligible)

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OP-ED OPINION

Small-business health care: a win for owners, employees and the bottom line | GUEST COMMENTARY

By **KATIE FRY HESTER, ROBBYN LEWIS and BROOKE LIERMAN**
FOR THE BALTIMORE SUN | JAN 03, 2022



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We have learned many lessons over the past two years — and one that stands out is the importance of ensuring that every Marylander has access to affordable health insurance. Even before the pandemic exposed weaknesses in our economy, workers sought out jobs that provided both good pay and good benefits. Today, as employers are finding it difficult to hire workers — and workers are wary of going back to jobs because of the ongoing pandemic — ensuring that businesses can offer health insurance is more important than ever.

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Workers at those small businesses must without, leaving them exposed to major health costs. This is a matter of equity. Maryland has the **highest per capita rate** of small businesses owned by people of color in the nation. As a state, we also see profound disparities in health outcomes for people of color.

A **recent national survey** of more than 1,030 small-business owners found that lowering health care and prescription drug costs was their top priority, with 73% saying it is important to their business. Maryland has made major progress in expanding access to affordable health insurance, but there is more to do to help ensure our small businesses are able to provide coverage to employees.

In the 2022 legislative session, we will introduce legislation in the General Assembly to help ensure that small businesses in Maryland can afford to offer their employees health insurance. We thank the Maryland Health Care For All Coalition for supporting this proposal.

Our current system provides some support through federal tax credits for small businesses purchasing insurance through Maryland Health Connection, the state's online insurance marketplace created through the federal Affordable Care Act. Unfortunately, we have seen few small businesses take advantage of them, often because they don't know about the option and the federal tax credits don't make the cost affordable over the long term.

To encourage more small businesses to provide health care to their employees, we will propose that the state commit \$45 million of federal funds received by the State to help small businesses pay for health insurance for workers through Maryland Health Connection. Our legislation will also commit \$3 million to help educate small businesses about the new state subsidies. We have learned that such outreach efforts are absolutely vital to make sure small-business owners know about these kinds of programs.

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care for everybody. When uninsured people pay higher health insurance premiums for the increased uncompensated care.

This is a bill where everyone wins. Small businesses benefit by making their job openings more attractive to job seekers looking for a strong benefits package. Employees have access to more options for high-quality, affordable health coverage. Racial inequities in access to health coverage will be reduced. And, last but not least, we leverage federal dollars to reduce the cost of health care premiums for everyone across the state of Maryland.

Maryland has taken many important steps to expand health coverage for our residents. We created a reinsurance program to bring down premium costs in the individual insurance market and launched a pilot program to provide subsidies to bring down the cost of coverage for young adults. These efforts will continue to pay dividends. At a time, however, when the State of Maryland is receiving an additional \$7 billion of federal funding and when we already have a \$2 billion General Fund surplus, now is the time to do everything possible to support small businesses and the people who work for them.

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FEB 14, 2022

FEEDBACK

Katie Fry Hester (katiefry.hester@senate.state.md.us) is a member of the

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