

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 697 (Delegate McDonough)
Health and Government Operations

**Health Insurance - Small Employer Health Benefit Plan Premium Subsidy
Program - Local Funds**

This bill authorizes a county to provide local funds to be used for subsidies under the Small Employer Health Benefit Plan Premium Subsidy Program. Local funds must be used for subsidies provided to small employers and the employees of small employers located in the county providing the funds and only after other sources of funds available for subsidies have been exhausted.

Fiscal Summary

State Effect: None. The bill does not directly affect governmental finances.

Local Effect: To the extent that a county elects to provide funds under the bill, local jurisdiction expenditures increase.

Small Business Effect: Potential meaningful. To the extent that additional subsidies are made available to small businesses under the bill in future years, health care expenditures for small business decline.

Analysis

Current Law: Chapter 7 of the special session of 2007 established the Small Employer Health Benefit Plan Premium Subsidy Program to provide subsidies to small employers and their employees if the employer has not offered a small employer health benefit plan for at least 12 consecutive months.

Chapter 7 also established the Health Care Coverage Fund to (1) expand Medicaid eligibility for parents, caretaker relatives, and childless adults with household incomes up to 116% of federal poverty guidelines; (2) fund the Small Employer Health Benefit Plan Premium Subsidy Program; and (3) support health care services in Prince George's County. The fund consists primarily of hospital uncompensated care savings achieved under the health care expansion efforts enacted by Chapter 7. Funding for the Small Employer Health Benefit Plan Premium Subsidy Program may be provided by the Health Care Coverage Fund or general funds.

To be eligible for a subsidy, a small employer must, at the time of initial application for the subsidy, (1) have from two to nine eligible employees; (2) meet salary and wage requirements determined by the Maryland Health Care Commission (MHCC); (3) offer a small employer health benefit plan to its employees; (4) establish a certain payroll deduction plan; (5) agree to offer a wellness benefit, as required by MHCC; and (6) meet any other MHCC requirements.

A subsidy must offset a portion of the small employer health benefit plan premium contributions made by a small employer, but may not exceed the lower of 50% of the employer or employee contribution or an amount established by MHCC. Subsidies may be calculated on a sliding scale and altered according to the number of employees. A small employer that provides a small employer health benefit plan that is compatible with a health savings account may be eligible for a subsidy under specified circumstances. The total amount of subsidies provided is subject to the limitations of the State budget.

MHCC regulations provide for a subsidy program cap or dollar amount that represents the estimated total annual subsidy that is sustainable. The executive director may close the program to new businesses if and when the subsidies for the coming year are projected to reach or exceed the subsidy program cap.

Background: Enrollment in the Small Employer Health Benefit Plan Premium Subsidy Program (now known as the Health Insurance Partnership) began in September 2008. To qualify, the average wage of full-time employees must be less than \$50,000. A maximum subsidy of \$2,000 per employee or \$4,000 for family coverage is provided.

As of January 2009, 106 employers have enrolled, with 332 participating employees and 554 covered lives. Enrolled businesses have an average group size of 4.3 full-time employees, with an average wage of \$28,197. The average annual premium subsidy per covered employee is \$1,884, and the average annual premium subsidy per covered life is \$1,129. Despite vigorous outreach, take up for the partnership has been slow, due at least in part to the current economy.

The fiscal 2009 budget includes \$15 million in special funds from the Health Care Coverage Fund for the Health Insurance Partnership. Given low enrollment, only about \$700,000 has been spent to date. The Governor's proposed fiscal 2010 budget also includes \$15 million for the partnership.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Allegany, Harford, Montgomery, and Talbot counties; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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